

The Conference Board

Managing Federal Government Relations

How 300 major U.S. companies:

- *staff and organize the function at corporate and division levels*
- *determine positions, priorities and actions*
- *use lobbyists, single-issue coalitions*
- *assess new and evolving issues*

Research Report No. 905

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Managing Federal Government Relations

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A Research Report from The Conference Board

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Highlights

Staffing and organization: Government affairs professionals who represent company interests in the federal public policy arena are present on the corporate staffs of 70 percent of the firms surveyed for this report. Federal-level issues are the full-time concern of the majority of these personnel; the remainder divide their time between federal and state/local issues.

About 80 percent of the firms in this study are multidivisional. Issues of special concern to their major operating units (i.e., subsidiaries, product divisions, strategic business units, and the like), are most often handled by corporate staff members. A fifth of the divisionalized firms also have government relations staff personnel in at least one division who devote time to federal affairs: even at these companies, however, responsibility for divisional issues is almost always shared with corporate staff members.

Most federal government relations departments include two or more professionals. Each member usually has ongoing responsibility for certain issues. Half the departments, including virtually all those with five or more staff members, work out of offices in Washington.

Federal affairs personnel divide most of their time, in varying degrees, between program-planning and program-implementation activities. Most also perform related functions—notably, they help in efforts to market company products to the government.

Program planning: Dealing with new and evolving issues, government relations planning assesses the consequences for the firm of various policy outcomes, formulates positions, determines the proper level of staff effort, and develops responsive strategies. Diverse technical and managerial competencies within the company are brought into the planning process both informally and in more structured ways—through committees, task forces, and formal review mechanisms. Often complicating their deliberations are interdivisional conflicts of interests, said to occur at least occasionally in half the surveyed firms.

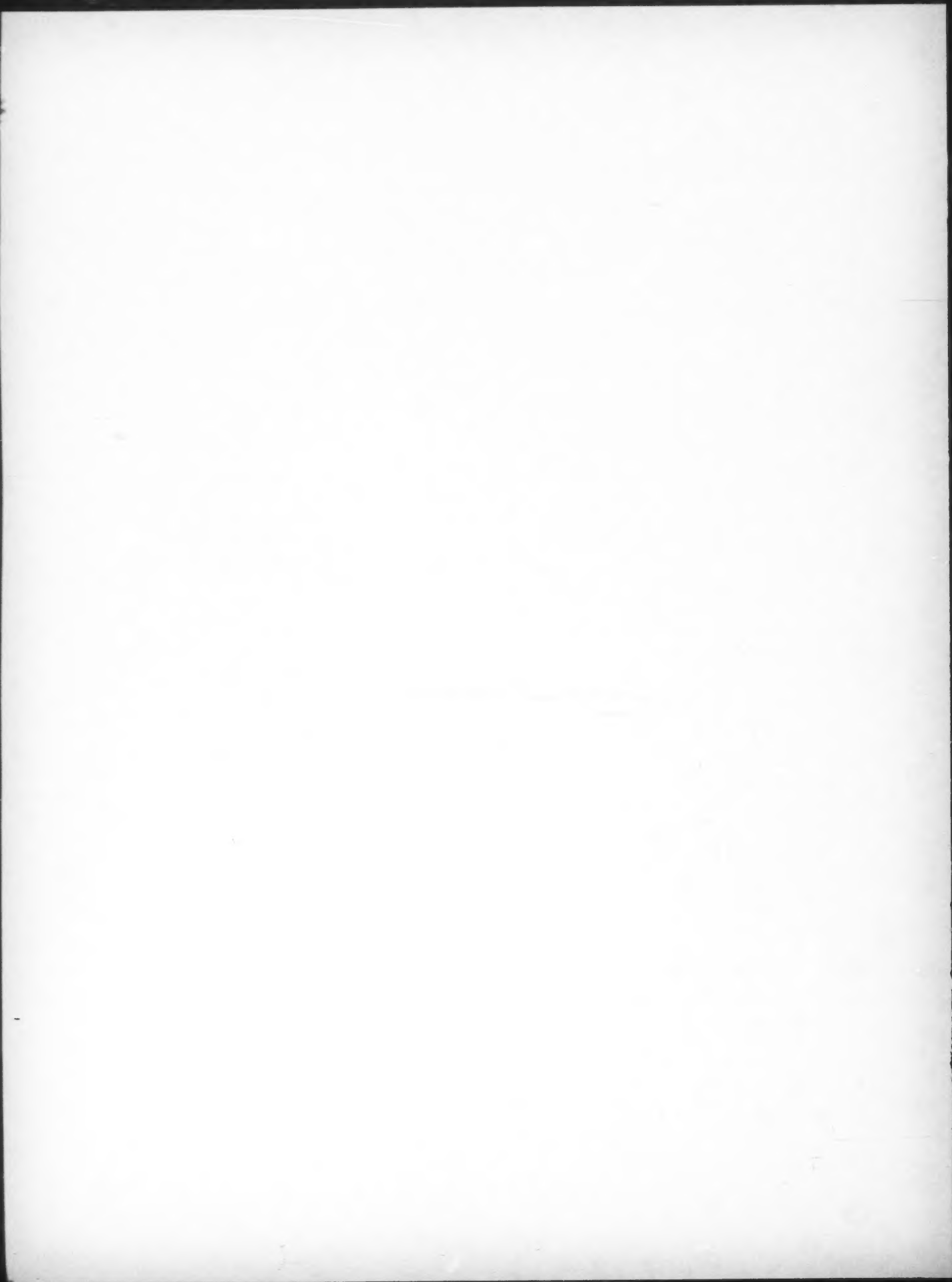
Many companies develop annual and longer-range plans, in addition to those that evolve in day-to-day operations. The process compels staff to review and appraise departmental objectives and priorities, while the plans themselves provide performance-evaluation and control criteria for top management.

Information and analyses for program planning come in part from private monitoring and forecasting services, which are used by most companies at least occasionally. Trade associations and other business groups are another prominent source. Most federal affairs staff members devote significant time to the planning activities of such organizations.

Program implementation: Companies promote their public policy goals through their own personnel, in concert with business allies and with the help of outside services. Corporate government affairs professionals at all but a few of the surveyed firms engage directly in lobbying. Most devote considerable time to this activity: For over a third lobbying occupies more time than any other pursuit. Federal affairs specialists often call on company personnel with expertise in particular issues. Some managers and technicians also maintain their own contacts in Washington, particularly with regulatory agencies, and engage in activities bearing on public policy. Finally, on critical issues federal affairs departments may seek grass-roots support from the company's work force.

Government affairs specialists in all of the surveyed companies devote significant time to identifying and collaborating with appropriate trade associations, general business organizations, and ad hoc coalitions. About 60 percent of the surveyed firms have also retained outside lobbyists at least occasionally during the past two years. Only a quarter have not used them at all. The quality most often sought from such outsiders is access—an ability to make contact quickly with key people in government and gain a hearing. Expertise in the technical aspects of the issues at hand ranks a close second. Competence in devising lobbying strategies and campaigns is also important to many companies.

Changes since 1980: The number and importance of federal policy issues have increased in four out of five responding companies since the advent of the Reagan administration. Yet only about half report net growth in resources committed to federal government relations. Three out of five of the firms reporting growth in the number and importance of issues during the 1980s have increased their commitment of resources to federal affairs. Where issues are no more numerous than in the past, resource commitments have fallen more widely than they have risen.



Why This Report

Redefining Federal Government Relations, a 1979 Conference and Board report, examined what was then a relatively new facet of corporate management. Corporate programs for managing federal affairs have changed considerably since then, reshaped by altered business conditions, restructurings, and such evolving issues as deregulation.

In response, the Board has produced a new study, which pays special attention to the ways divisional, as well as broad corporate, interests are represented in Washington. The report

also examines the use of outside resources—particularly lobbyists. Together with recent Board reports on state government relations, international public affairs, and the public affairs function, this study provides concrete information for the many companies devoting more attention to government relations.

The Conference Board offers sincere thanks to all those who provided information about company programs in Washington and perspectives on corporate activities there.

JAMES T. MILLS
President

About This Report

This study is based on survey data provided by 300 U.S.-based companies and on information gained through interviews with 28 senior government affairs executives. Questionnaires were mailed to all banks with assets of \$500 million or more and to all manufacturing and other types of companies with sales of \$100 million or more. The numbers and types of firms making up this universe, and of those responding to the survey, are shown below:

	<u>Universe of Surveyed Companies</u>	<u>Number of Participants</u>	<u>Response Rate</u>
Manufacturing companies	554	143	26%
Financial companies	177	49	28
Utilities	215	35	16
Other	240	73	30
Total	1,186	300	25%

Chapter 1

Staffing and Organization

Professionally staffed and managed corporate programs to influence federal government policies emerged on a large scale in the late 1960s and proliferated rapidly into the 1970s. They were engendered, in the main, by a surge of measures regulating business activity—notably, the employment of minorities and women, occupational safety and health, product labeling and design, and environmental emissions—and by the growth of special-interest groups working for further regulation.

According to survey results, federal relations programs are now present in the great majority of large U.S. companies. Normally managed at the corporate level, they are also found in some divisional organizations—subsidiaries, groups, divisions, or other operating units. In a few instances, federal issues are handled exclusively at the divisional level.

Corporate-level Staffing

Seventy percent of the surveyed companies employ government affairs professionals on corporate staff who devote some or all of their time to federal-level concerns. More than half—55 percent—have full-time federal relations specialists. Forty-nine percent employ personnel who divide their time between federal and state/local affairs. More often than not such government affairs generalists are found at firms that also have federal affairs specialists. But 15 percent place full responsibility for federal-level activities in the hands of professionals who also manage state, or state and local, affairs (see Table 1).

In about 20 percent of surveyed companies, certain responsibilities for federal government affairs are assigned not to government affairs specialists but to corporate staff members with other primary duties. Heads of legal departments have such responsibilities most often, but a variety of other staff functions are represented as well. Only nine percent of the surveyed participants report that no corporate staff member in their firm has on-going responsibility for federal government relations.

The study finds striking differences in federal affairs staffing not only among individual firms, but by company size and type as well (see Appendix, page 27). These reflect a host of other disparities among surveyed companies, notably their stakes in public policy; the judgments of their managements as to the relative costs and benefits of involvement; their financial resources; and the availability of effective alternatives to in-house staff.

Responsibility for Divisional Interests

About 80 percent of the surveyed firms are multidivisional—structured on the basis of product groups, strategic business units, divisions, subsidiaries, or other operating units. The public policy interests of divisionalized firms are served in three ways.

In about three quarters of them, corporate-level personnel manage federal government relations issues that are specific to divisions as well as those bearing on the firm as a whole. Such centralization is said to help assure that the company speaks with one voice on public policy matters. "Otherwise," a participant says, "one of our divisions would be arguing right now for free trade while another, which happens to be a major supplier to the textile industry, would be supporting its customers' bids for protection."

Arrangements in which federal relations units are present in divisional organizations but not at the corporate level are extremely rare. Among the 260 multidivisional firms in the study group, such arrangements are reported by only five. A highly diverse group, each contains one division that employs professional personnel to deal with important interests in Washington.

In about a quarter of the divisionalized firms the two arrangements are blended. Certain divisions manage some or

Table 1: Corporate-level Staffing

Staff Size	Percent of companies with government relations professionals having...		
	Federal-level duties only	Federal and state-level duties	Either or both kinds of duties*
5 or more members . . .	12%	8%	17%
2 to 4 members	21	21	25
1 member	22	20	28
Sub-total	55%	49%	70%
None	45	51	30
Total	100%	100%	100%*

Base: 300 companies.

* Figures in this column assume that personnel with both federal and state duties devote half their time to each function, so that two such staff members are equal to one full-time federal affairs specialist.

Table 2: Division-level Staffing in Multidivisional Companies

Staff Size	Percent of companies with government relations professionals in divisions who have:		
	Federal-level duties only	Federal and state-level duties	Either or both kinds of duties*
5 or more members . . .	3%	5%	5%
2 to 4 members	5	6	7
1 member	6	3	9
Subtotal	14%	14%	21%
None	84	84	79
Total	100%	100%	100%

Base: 260 companies.

* Figures in this column assume that personnel with both federal and state duties devote half their time to each function, so that two such staff members are equal to one full-time federal affairs specialist.

all of their federal issues, while others are served entirely by the corporate unit. Typically, corporate departments act on issues of company-wide or interdivisional concern and divisions work on their own narrower ones. "On occasion, one of our operating divisions may be directly involved in representing its interests before regulatory bodies or government agencies where no other division is involved," a W. R. Grace & Company executive says: "But if diverse interests exist, corporate government relations recommends a position to corporate management. It then either manages the issue itself or oversees divisional activities on the issue." By and large, this describes the role corporate departments play in other firms as well.

Shared corporate-divisional management of federal affairs sometimes derives from principles of decentralization. More often, it appears to be rooted in history and circumstance. Divisional units, for example, predate corporate-level departments in some companies. In others, they have come in the wake of acquisitions and mergers. The persistence of divisional units in such circumstances may, like their emergence, reflect a top-management commitment to decentralization. "I argued that they should report to me, and lost," one federal affairs director says about the Washington office of an acquired firm: "Management felt that divisional autonomy was the overriding consideration." Often, too, existing arrangements are judged to be working reasonably well: to change them would demand both time and effort and create organizational stress. "Management's attitude," according to one Washington-office executive who has been pressing for change, "is 'why fix it if it ain't broke.'"

Division-level Staffing

All told, 21 percent of surveyed multidivisional companies have staff members in at least one of their operating units

who devote full time to government affairs: Federal affairs specialists are present in about two-thirds of them (see Table 2).

About half of the participating gas and electric companies are multi-divisional, and half of these report the presence of federal affairs professionals in their divisional organizations. Divisionalized is far more prevalent in all other industry groups, found in at least four out of five firms, but federal government relations staffing much less so (see Table 3).

Staff Assignments in Multi-Member Departments

In building and replenishing multi-member federal relations staffs, companies seek a balance of governmental competencies—ideally, experience and contacts in both houses of Congress, in the two major parties, in key regulatory agencies, and sometimes in the executive branch. Reflecting staff members' backgrounds, assignments are occasionally to governmental bodies: one person may be assigned to Congress, for example, another to the regulatory agencies; one member's beat may be the House of Representatives, another's the Senate.

The great majority of Washington offices are organized around issues. Most firms with multi-member Washington staffs also report that particular members are assigned responsibility for the concerns of specific divisions. Since each division tends to have its own specific concerns, divisional assignments are usually another form of issues specialization. They are designed to help concerned characters—personnel within the firm, in the government, and at other companies and organizations involved in the issue to familiarize themselves with the issues and with the political milieu.

Staff members—designated as lobbyists, issues managers, directors of legislative and regulatory affairs, and the like—are assigned one or more issues and work closely with inter-

Table 3: Division-level Staffing by Type of Company

Type of Company	Percent of Surveyed Companies That Are Multi-divisional	Percent of Multi-divisional Companies With Federal Government Staff at Divisional Level
Durable goods manufacturing	93%	20%
Non-durable goods manufacturing . .	84	27
Utilities	53	51
Financial services	80	21
Other	90	14

nal "clients" or "customers," the staff or line executives who are most directly concerned with their issues. The Washington-office staff of a petroleum company, for example, consists of three "lobbyists" who report to a Vice President, Federal Affairs. One is responsible for issues relating to "upstream" management (exploration and production); one handles matters linked to "downstream" concerns (refining, transportation and marketing). The third is assigned to corporate staff functions.

The basic rationale for issues-organization is described by one Washington office head: "Members of my staff follow their issues into the House, the Senate, executive branch agencies—wherever they lead. And their bundles of issues change very little, because they relate to congressional committees. Tax and trade issues, for example, center in the House Ways and Means Committee and the Senate Finance Committee, falling into one natural bundle. Issues that come before the Commerce Committees are transportation and health—another bundle. The same with the Public Works Committees and the Environmental Committees. The committee structure on the Hill dictates the issues assignments." (See box.)

Issue Sharing

But this common organizational arrangement can create inefficiencies, participants note. As issues wax and wane in importance or urgency, work-loads tend to become uneven or "unbalanced." An executive in charge of federal government relations for one large multinational sums up the problem: "When an issue becomes hot the responsible lobbyist needs assistance and support. You can direct lobbyists with other responsibilities to help—but, usually, they don't respond very well. They don't really understand the issue or

know the people involved, and they may feel some loss of status."

One company recently took organizational steps to deal with this problem. First, it grouped its eight-member lobbying staff into two teams. Under designated leaders, members are introduced to their teammates' issues. It is understood that each member will have occasional responsibilities connected with such issues. The teams meet at intervals and exchange information informally. In addition, team members have been assigned responsibility for ensuring good relations with personnel at specific governmental entities—congressional committees, regulatory agencies, commissions, and the like. Management believes that in time, these assignments will cross the lines of primary-issue responsibility, further reducing parochialism, and fostering coordination.

With a two-member staff, Weyerhaeuser has informally taken a similar tack. Its Vice President for National Affairs says: "When my associate first joined us, we thought it best to make specific assignments by issue—to balance our workload on the basis of our respective areas of interest and expertise. As we've become comfortable in these areas, she and I have begun to work together more. We may both get up to speed on an issue and make some joint visits. But we still hold on to our basic issue responsibilities."

Washington offices often include other staff members who monitor, lobby on, and otherwise deal with issues. Supplementing a trio of issues specialists in his company, one study participant reports, is "a lower-level staff person who covers meetings and hearings, is treasurer of the PAC and does all the detail work connected with it, writes a digest on two to four issues that goes out to management each Friday, sends out an Action Alert when a lot of action is needed, and does a little administrative work."

Corporate-Divisional Integration: Allied Signal Company

Allied Signal Company's government relations organization illustrates the integrated use of corporate and divisional specialists in issues-assignments. Based in Washington, the corporate function is headed by a Vice President, who reports to the corporate Senior Vice President for Public Affairs. A Staff Vice President assists the Washington-office chief.

Five Directors of Legislative and Regulatory Affairs report to the Washington office chief and the Staff Vice President. Each director is responsible for a particular set of issues. These fall under the headings of trade, tax, industrial relations, environment, and legal. Industrial relations embraces labor, safety, and health issues; legal includes patents, antitrust matters, and laws and regulations relating to securities. Issues affecting specific sectors or operations, as well as those of corporate-wide concern, are under the aegis of this group of managers. Their responsibility regarding such issues is comprehensive. It includes issue identification and monitoring, position development, strategy recommendations and implementation.

A "Program" group also reports to the head of the Washington office, though on a dotted-line basis. Its four members have the same title as those making up the issues group. They are on the payroll of the Aerospace Sector government relations department. These Program personnel play an issues-management role with respect to various government programs—principally defense-related—in which their sector has an important stake.

State government relations activities, a PAC program, and grassroots communications are also under the Vice President for Government Relations. Full-time government affairs professionals are present in three states—California, Michigan and New Jersey—and a member of the Aerospace Sector's federal affairs group devotes some time to state issues. A Treasurer in the Washington office helps administer seven state PACs and the national one.

The Washington Office

Nearly half (46 percent) of the surveyed companies—and 60 percent of these with federal affairs staff—have government relations offices in Washington. Staff may be based at company headquarters, the study suggests, if it is within easy reach of Washington and consists of one professional. But as soon as federal government relations departments grow to two or three members, some full-time representation in Washington is usually seen as the cost-effective course, even if the head of the function or a staff member continues to be based at corporate headquarters.

Even a modest federal government relations program of information gathering and participation in trade groups and consortiums cannot be conducted entirely from corporate headquarters. Government relations executives who do so say they are in Washington for at least a day or two almost every week. They come to build networks of contacts, track issues, work with business groups, become better-acquainted with government systems and their personnel, and, often, to lobby. When issues reach active or critical stages, these executives often remain in the Capitol for long periods.

These operators may miss out on some of the possibilities open to resident professionals in Washington: in networking, for example. Commuting may also tax energies and strain family lives. But there are benefits as well, argue government relations executives who do not reside in Washington. One is closer contact with senior corporate management, which affords greater opportunities to learn about new ideas, plans and programs.

Managers of federal government relations based at headquarters are also less likely, some claim, to become "government junkies," or to be afflicted with "Potomac fever"—excessively preoccupied with Washington personalities and events that are remotely related to company interests. "Potomac fever is a condition," one participant says, "that blurs the victim's ability to focus and leads to wasted time and effort. It must be combatted by all means." The most important antidote, many executives agree, is exposure to company personnel and issues.

Most of those working out of Washington, in turn, recognize a need to visit home offices, plants and divisions. Some make such visits "as often as possible," others at regular intervals, often to participate in meetings of management committees. Some government relations departments specify visitation objectives for Washington staff members in their annual plans. One department head says, for example: "Corporate headquarters is easy for us to get to. But our people are also expected to visit five plants a year, meet with key personnel, get to know them, their plans, and their goals, and understand what drives them." Members of this company's Washington staff must also arrange and take part in four additional plant visits by local Congressional Representatives or their aides. "All this takes a lot of time," the firm's Vice President for Government Relations says. "But it makes us better advocates."

Senior Government Affairs Executives

Individuals identified by survey participants as senior government relations executives fall into two groups of about equal size. One group of executives has responsibilities for governmental relations only. Common titles are: Vice President, Government Relations; Director, Federal and State Government Affairs; Manager, Legislative Relations. Executives in the second group have duties beyond government relations. Only members of the first group, 126 in number, are considered to be "senior government relations executives" in the following summary. In some companies these executives are responsible only for federal relations—state and local concerns being handled by operating units, or, in a few cases, by less senior corporate staff members. The duties of most, however, include both federal and state affairs.

Rank: Two-thirds of the senior government relations executives are company officers.

	Percent Holding Rank
Executive or senior vice president	14%
Vice president	53
Director	26
Manager	7
Total	100%

Their status tends to rise with the size of their departments. More than 80 percent of those managing units of five or more members, for example, are company officers; slightly over 50% of the heads of smaller units are officers.

Reporting Relationships: Forty percent of these executives report to top management, in most cases the CEO.

	Percent Reporting to Executives
Chief executive officer	35%
Chairman or President (not CEO)	5
Executive in charge of public affairs, corporate communications, or corporate affairs	33
Chief legal officer	14
Other executive	13
Total	100%

Formal relationships sometimes disguise the reality. "Technically, I report to the Chief Financial Officer," the head of one Washington office says. "Until several years ago I reported to the CEO. The change was for administrative convenience only—for budget preparation, compensation, clearing press releases, and other matters that don't really have to involve the chairman. On Washington issues and politics, I still report directly to the CEO."

Business Experience: The corporate background of government relations executives is most often in public affairs, marketing, or law. Less than a third indicate no corporate experience other than in government relations.

	Percent Previously Employed in Function		
	In present company	In other company	In either
Public affairs/public relations	13%	16%	15%
Marketing/sales	12	7	17
Legal	11	8	17
Human resources	4	—	4
Finance/administration	3	2	5
Engineering/technical	3	2	4
Line operating/general management	7	2	9
Any of above	30%	44%	65%

Other Background: Over half have had employment experience in government, most commonly at the federal level.

	Percent Previously Employed in Government			
	Federal Level	State Level	Local Level	Any Level
Legislative staff	28%	6%	1%	33%
Executive agency staff	20	8	1	27
Elective office	2	5	3	6
Any of above	43%	17%	5%	53%

Some have also worked at trade associations or other business organizations (16 percent), in law offices (16 percent), in journalism (7 percent), and at universities or other not-for-profit entities (14 percent).

Government vs. Company Experience

Whether the federal government relations functions can best be managed by personnel with roots in the firm—employees who know its processes, traditions, products and management, or by those with special expertise in government, has been what one participant calls the function's "classic staffing issue."

Most companies appear to have reached into their ranks for managers of the government relations departments established during the late 1960s and early 1970s. A company background is still often preferred. One firm, for example, priding itself on an image of trustworthiness in Washington, is unwilling to jeopardize its reputation "with people who don't understand our culture," as an executive of the firm says.

To an increasing degree, however, people with experience in government are joining—sometimes replacing—those with company backgrounds. "The thinking in our company," one participant says, "is that it takes a long time to learn how the Washington system works, to learn who the hard-thinkers and leaders are—those who have the most influence on policy—and to develop the relationships, friendships and contacts that are so essential. We felt we needed mainly such people on our staff. A lot of time and effort has gone into teaching them about the company, however—about its products, its organization, and its philosophy."

Several "Washington types" interviewed for this study describe making special efforts to get to know company operations and personnel and to become accepted. One, who heads the function for a wood and paper products company says: "I moved out to our corporate headquarters community and spent five months there before my predecessor left—the smartest thing I could have done. For five months I did not work in Washington at all. Most of the time I traveled, visiting all the facilities of the company I could get to, meeting with every manager at every level. I went into the woods in jeans and a plaid jacket. I started at the bottom and worked up through the company." Others speak of "an entire week spent with each division head and their staff members," or of "considerable time learning from our operating managers about their products, plans and problems."

In the process, these executives stress, they sought to overcome what one refers to as "the stigma of the outsider." He says, "I learned an awful lot and in the process became accepted." Another comments: "I knew I had to convince these people that I was a team player who had the best interests of the company at heart and could work within—fit into—the company culture."

But as government relations programs have matured, often at state and local levels as well as federal, cadres of in-house professionals have come into being. Their presence has, thus, tended to obviate the either-or choice, offering management candidates for top jobs who know both the company and Washington.

Staff Activities

The activities of federal affairs departments and their personnel fall largely into two categories, planning and program implementation. Legislative issues-monitoring and analysis is their principle planning activity; policy representation or lobbying is at the heart of program implementation efforts. Both of these activities are given "considerable" time by the majority of staff units (Table 4, p. 6).

Lobbying is the most time-consuming activity for a majority of the largest departments—those with five or more members—while issues monitoring and analysis tops the list for the others. A large majority of units of all size assign first place to one or the other of those two activities (Table 5, p. 7).

Table 4: Portion of Total Federal Government Relations Staff-Time Devoted to Particular Activities

	Considerable	Moderate	Slight	None	Total
A. Program Planning					
<i>Issues monitoring and analysis:</i> Reading reports and periodicals; attending hearings; gaining information from various sources on:					
Legislative issues	64%	28%	7%	1%	100%
Regulatory or executive branch issues	36	38	17	9	100
<i>Internal reporting and program planning:</i> Briefing and preparing reports for management; participating in meetings and discussions geared to the identification of public policy concerns and the development of responsive positions					
	37	43	17	3	100
<i>Working with business groups:</i> Involvement in developing programs and policies with trade associations, general business groups, and coalitions, and in formulating positions and plans on specific issues					
	48	40	10	2	100
<i>Working with "public interest" groups:</i> Involvement in developing programs and policies of nonbusiness special-interest organizations					
	5	18	37	42	100
B. Program Implementation					
<i>Policy representation and lobbying:</i> Presenting information or company views to policy makers and their staffs; arranging for other company officials to testify or meet with such persons; working with outside lobbyists, Washington media, etc. on:					
Legislative issues	58	29	10	3	100
Regulatory or executive branch issues	29	35	22	14	100
<i>Staff support for top company executives</i> participating on government and other task forces, commissions and committees					
	15	40	25	20	100
Managing a Political Action Committee (PAC)	24	37	16	23	100
C. Other Activities					
<i>Marketing support:</i> Assisting in company efforts to obtain government business or resolve difficulties in connection with such efforts					
	10	22	22	46	100
<i>Support to business-planning:</i> Contributing to, or viewing and commenting on, strategic or business plans—corporate or divisional					
	8	35	32	25	100
<i>Developing political awareness and participation among company personnel:</i> Preparing newsletters, or articles for employee publications; conducting seminars, training programs, one-on-one instruction for corporate or divisional personnel; managing grassroots programs					
	20	38	29	13	100
<i>Foreign or international activities:</i> Monitoring issues and representing company interests in international bodies (e.g., EEC, UN), foreign countries, or foreign industry					
	6	12	31	51	100
<i>State and local government activities:</i> Monitoring issues and representing company interests in the states or individual communities					
	40	23	22	15	100

Base: 271 companies at which federal government relations is an assigned corporate-level responsibility, either full or part-time.

Table 5: Activity to which Federal Government Relations Personnel Devote Most Time, by Staff Size

	Full-time staff members			Part time only	Total
	5 or more	2 to 4	1		
A. Program Planning					
<i>Issues monitoring and analysis:</i> Reading reports and periodicals; attending hearings; gaining information from various sources on:					
Legislative issues and/or Regulatory or executive branch issues	37%	45%	34%	30%	33%
<i>Internal reporting and program planning:</i> Briefing and preparing reports for management; participating in meetings and discussions geared to the identification of public policy concerns and the development of responsive positions					
	2	5	6	7	4
<i>Working with business groups:</i> Involvement in developing programs and policies with trade associations, general business groups, and coalitions, and in formulating positions and plans on specific issues					
	2	9	7	12	7
<i>Working with "public interest" groups:</i> Involvement in developing programs and policies of nonbusiness special-interest organizations					
	-	-	-	-	-
B. Program Implementation					
<i>Policy representation and lobbying:</i> Presenting information or company views to policy makers and their staffs; arranging for other company officials to testify or meet with such persons; working with outside lobbyists, Washington media, etc. on:					
Legislative issues and/or Regulatory or executive branch issues	52	35	30	30	33
<i>Staff support for top company executives:</i> Participating on government and other task forces, commissions and committees					
	2	-	-	2	1
Managing a Political Action Committee (PAC)	-	-	-	-	-
C. Other Activities					
<i>Marketing support:</i> Assisting in company efforts to obtain government business or resolve difficulties in connection with such efforts					
	3	2	6	2	3
<i>Support to business-planning:</i> Contributing to, or viewing and commenting on, strategic or business plans—corporate or divisional					
	-	-	-	4	2
<i>Developing political awareness and participation among company personnel:</i> Preparing newsletters, or articles for employee publications; conducting seminars, training programs, one-on-one instruction for corporate or divisional personnel; managing grassroots programs					
	-	-	-	-	1
<i>Foreign or international activities:</i> Monitoring issues and representing company interests in international bodies (e.g., EEC, UN), foreign countries, or foreign industry					
	-	-	-	-	1
<i>State and local government activities:</i> Monitoring issues and representing company interests in the states or individual communities					
	2	1	17	10	10

Base: 271 companies at which federal government relations is an assigned corporate-level responsibility, either full or part time.

Government affairs planning and implementation activities are examined more fully in Chapters 2 and 3. They are not always the only activities of federal affairs personnel, who may devote time and effort to any of the following functions.

Business Planning Support: Three-quarters of the participants in this study report that federal government relations staff members provide support to business planning. "Much of what we do in Washington," the head of a corporate office in that city says, "is geared to understanding and anticipating public policy developments so that investment and other strategic decisions may be made more soundly." Government relations managers or their corporate staff superiors are often brought onto strategic planning committees "to tell senior management what is happening in the Capitol that may affect the company," in one drug executive's words.

During the periods of rapid structural change experienced by some firms recently, assistance to planners has become a major occupation for government affairs units. "People from our strategic planning operation who are engaged in mergers and acquisitions often call me about the prognosis on the government budget or on other issues that might affect certain industry sectors," one executive reports: "With on-line access to the *Congressional Quarterly's* information file, along with data from our monitoring service and my own knowledge and judgments, I can usually report back to them in a matter of hours."

Corporate executives in Washington may advise government officials while they are serving company planning needs. The public affairs director for U.S. operations of a foreign-based multinational says, for example: "We favor an open trading system and so does the U.S. government. We're not adversaries. So a lot of our government contacts in Washington are to exchange information about trade issues. We can both plan better as a result."

Marketing Support: In more than half of the surveyed firms, federal government relations staff also engages in marketing-support activities. This is principally to assist company efforts to gain and hold government business. Washington offices of accounting, insurance-brokerage, and other service companies provide legislative and regulatory information to clients—sometimes directly, by sending them reports and by responding to information-requests; often indirectly, through the firm's sales and service personnel. One Washington office distinguishes between services geared to "client retention" and those that support "new business development:" it offers clients a "special request service," which

provides them with documents and information "generated by the thousands of organization in the Washington area," a monthly newsletter on major issues, and a variety of special reports and analyses.

Marketing activities are not always distinguishable from policy advocacy. The director of a federal affairs staff of an office equipment manufacturer notes that the staff took on its first marketing assignment when the General Service Administration "introduced new procurement procedures that impinged on our ability to sell our products to the government."

Corporate Foreign Affairs: Foreign and international matters are a staff responsibility at half of the surveyed firms. Participants report that their Washington office personnel have worked with State and Commerce Department officials in connection with trade, overseas investment, and related matters, and with representatives of foreign countries in the United States. Speaking of ambassadors and embassy staff members, one says: "They can perform valuable services, from referring you to the right bureaucrat in their government to intervening directly on your behalf." But even though the great majority of firms pay some attention to international and foreign concerns, federal affairs personnel do not devote a great deal of time to them.

Internal Training and Development: Nearly nine out of ten federal government relations units devote some time to developing political awareness and participation among company personnel through newsletters, articles in employee publications, seminars, training programs, one-on-one instruction and briefing, and grass-roots programs.

Other: Washington offices often perform a variety of special services for personnel of their companies. These range from helping them to interpret and keep abreast of changes in the regulations of government agencies to arranging for passports, visas, import and export licences and the like. Federal affairs staff members also assume public relations duties on behalf of their companies. One unit head "serves as the company's chief media spokesman"; many give talks before public and business groups.

Activities such as the above are more prominent in smaller units than in larger ones. In part, because this is their personnel must devote more effort to gaining help elsewhere in, and outside of, the company, and to coordinating such assistance. Smaller units also include more staff members who divide their time between federal and state and local affairs, with the latter sometimes their principle responsibility.

Chapter 2

Program Planning

Government relations planning blends the political knowledge of the function's staff specialists with the special understanding of company operations and plans that resides elsewhere in the organization. It may also bring to the consideration of specific issues top management's grasp of broad company aims and intentions, particularly when intra-company interests diverge. Planning activities are both operational—day-to-day responses to changed needs—and forward-looking, as in annual and longer-range plans. Committees and task forces often supplement informal contact between staff professionals and other personnel to ensure that plans are fully-informed and in tune with corporate goals.

Operational Planning

Operational planning, triggered by the emergence of new issues and change in the status of existing ones, is intrinsic to government affairs programming. It entails the following steps:

1. Government affairs staff members and others gather information about legislative or regulatory events that may bear on company interests and communicate it to those with a need to know. More staff units devote "considerable" time to legislative and regulatory monitoring than to any activity, participants report. A third of them say it is their most time-consuming function (see Tables 4 and 5). Some information is gained directly, by attending hearings, meeting with legislative staff members, and the like.

Government affairs personnel also learn about developments from trade associations, private reporting services, and colleagues in other firms. Company line and staff executives, who often pick up important information from trade and government contacts of their own, are other information sources.

2. Information about new developments is assessed by those in the firm best able to judge whether, and to what degree, company interests are at stake and whether or not company involvement is warranted. Government relations professionals are expected to bring to the process judgments about two crucial questions. Given the line-up of contending forces, can company involvement affect the outcome? If so, what goals appear politically realistic and attainable?

"The point is to recommend positions that are neither wrong in substance nor foolish politically," one participant says. "There is no quicker way to lose on the Washington scene than with a self-serving position that has no chance of being adopted," another comments. "You must also have fall-back positions—be ready, and have the authority, to make changes as needed."

3. A position is developed on the issue, a plan of action devised, and goals and priorities established. Action plans deal with three key questions: How much staff time will be given to the issue? How will the professional staff best be used? What roles, if any, will others in the company play? The answers to these questions depend only in part on the importance of the issue. They are also apt to be based on company planners' appraisals of the level of effort required to achieve company goals and of the strength other interested parties will bring to the campaign.

Annual Plans

The degree to which companies try to anticipate events—and to plan formally—varies widely. Formal annual plans are developed by half the surveyed firms (see box on p. 10). They are more common in larger companies than smaller ones, and unusually prevalent among gas and electric utilities, three-quarters of which report their use. "Like most government affairs offices," one participant says, "we use the period between the election and the beginning of the next Congress to look around, get a sense of what issues are out there, and reprioritize."

Annual federal government relations plans typically include statements of the unit's mission, of its general objectives, and of its particular goals for the year ahead. But plans appear to vary widely in degree of specificity, in part because of different levels of confidence from one company to the next in the predictability of issues. "Our planning consists primarily of preparing annual issues forecasts," the federal affairs head of a transportation company reports. "We identify the five items that we think are going to be on the front-burner in Washington. We state our objectives for each in bullet style. And we assign a numerical value to each, indicating how much time we think it merits." An oil company participant says: "Our plans hardly change. We have a few key

issues that go on and on and never end." Others describe so much change and volatility that plans must be, as one put it "quite general" in character.

Annual government affairs plans are reviewed by the chief executive officer prior to final approval in the great majority of companies. Other senior executives also participate in the review process in most firms, either independently or as members of management committees (see Table 6).

In only about half the divisionalized firms are corporate government affairs plans formally reviewed by top operating executives of the divisions. But various procedures are followed to ensure that divisional interests are taken into account. Planning meetings between government affairs executives and key divisional personnel are common—a means, one participant says, "of developing together our lists of priorities." In at least one company, division presidents are formally surveyed about key legislative issues.

Divisional units prepare their own annual government relations plans in about 25 percent of the divisionalized companies. The corporate head of government affairs participates in this process "actively" or in a "consultative" role in about 80 percent of these firms. Individual exceptions to corporate participation are also reported. For example, one "autonomous division" prepares its government relations plan entirely on its own, a financial company executive says, "while the rest work through government affairs in Washington." Several other participants distinguish between federal-level government affairs, which they say are

managed entirely by the corporate department, and state and local relations, for which the divisions plan on their own.

Annual plans provide higher management with criteria for appraising the performance of government affairs units. One participant puts it as follows: "The annual plan gives my boss a record of what we identified as the critical policy issues for the year. He can judge how well we spotted the issues and how successful we were in meeting our action goals. The same applies to our grass-roots and Political Action Committee programs. Management understands that success or failure can come from factors no one could have anticipated. Its real criteria are whether we carried out our work in a professional manner, and whether those in the company we served were satisfied with our support. But the annual plan is where it all starts." Another Washington-office head says, however: "You're pretty darn careful when you write down your goals at the beginning of the year—that what you write is on the money. Because if you end up with a couple of goals that you lost track of, or that never developed into issues, you're going to have a tough time recovering."

Longer-range plans, principally of three or five years, are also prepared at a third of the surveyed firms. And even if events do not match expectations, many executives highly value such periodic planning activities. One government relations director says, for example: "In trying to identify and prioritize issues we meet with each of our potential customers in the company. These encounters bring us up-to-date on the plans and concerns of all key staff and divisional people, and help to cement our professional and personal relations with them."

No Formal Document

Annual planning for federal government affairs may occur without a formal document, the head of Weyerhaeuser's Washington office explains. "Early each year I go out to corporate headquarters for about a week of discussions with members of senior management. I will have our prioritized issues list. I will also have a three- to four- page executive summary of each of the major issues. And I will have a page on each Capitol Hill committee concerned with our top issues, including a list of the members with whom we maintain a close relationship because of constituents or other interests.

"Our issues list shows three levels of priority. Priority One issues are those we care a lot about and are complex and important enough to require senior management attention. Priority Two issues are also important, but can probably be handled without the senior managers being involved on a daily basis. Priority Three issues need to be watched closely; they have the potential to move up to a higher category.

"But there is another filter that guides our planning, the importance of our role in affecting the outcome. In a Priority One issue like the federal deficit we're a drop in the bucket. We'll speak up whenever we can, but basically leave the issue to others. But a Priority Two provision of last year's tax bill that affected only our company got an awful lot of our time."

Table 6: Review of Annual Plans

	Percent of companies at which plans are reviewed by listed executive:	
	Divisionalized companies	Nondivisionalized companies
<i>Corporate Executives</i>		
Board of directors	8%	8%
Chief executive officer	55	42
Other top executive	52	50
Senior public affairs executive	44	42
Other executive	30	8
<i>Divisional Executives</i>		
Top divisional executive	36	—
Other senior operating executive	12	—
Senior executive responsible for government relations	1	—
Other	1	—
Base:	260 companies	40 companies

Internal Liaison

For government affairs professionals a counterpart to issues-monitoring is keeping in touch with the interests and plans of key company managers. Much of this occurs in the course of developing annual plans, working on specific issues, and participating in company activities not directly related to government affairs.

Many government affairs executives also plan periodic meetings with internal constituents. One says: "I find that a visit to company headquarters each week works out very well. And I try to visit each of our regional offices at least once every two years—to touch base with the managers, on whom I rely heavily for contributions to our Political Action Committee." The government affairs director of a primary metals firm meets once a month with all division heads to review plans and consider new needs: other companies also report regular meetings of this sort. Government relations units in some firms circulate, and ask for comment on, status reports: One, for example, prepares a "Washington Ledger," which goes to 25 of the company's top executives.

A government affairs director recently brought into a firm from outside says: "My first job was to identify the key people in the organization who needed to know—the in-house experts—my internal constituency." In two out of five of the firms participating in the Board's survey, specific individuals are designated as subject-experts: they are to be kept informed about public policy issues affecting their areas of expertise and to be consulted about the importance of new developments.

Many participants assert that liaison between federal relations staff and responsible managers is largely "informal." Based on personal contacts, it occurs daily, continuously, or as needed. An executive who is the sole representative of his consumer-goods firm in Washington, visits corporate headquarters for several days each month to discuss current projects and activities with the various managers involved. "In the process," he says, "and though I don't go on fishing expeditions, I always pick up new issues that people want me to work on." The government affairs director of a financial company reports: "Line managers advise us about issues that they learn about through specialized committees within their own areas of expertise, which we then include in our legislative agenda. It comes from the bottom up, rather than the top down."

Corporate staff liaison with managers of divisions often occurs through the division's own government affairs or public affairs professionals. In about 10 percent of divisionalized firms these executives are present on company-wide committees of public affairs or government affairs managers: such committees plan and coordinate company programs.

Several participants report that headquarters-based issues managers are often able to facilitate liaison. The government relations vice president of a multinational manufacturing firm describes the role of such a person. "Our Director of

Public Policy Issues can do one thing that we cannot—he can sit in on business meetings at corporate headquarters on a regular, daily basis. We're a diverse and rapidly changing firm. Here in Washington we cannot be aware of every new interest that arises from planned acquisitions or other developments. He can. That's his job. He sometimes spots issues that we miss or identifies stakeholders we don't know about. He makes sure that everyone who ought to be is represented at meetings to evaluate issues, and he helps in developing positions."

Determining Positions, Priorities and Actions

How decisions are made in a company with respect to positions, priorities and actions on particular issues—and by whom—varies with such factors as the character and importance of the issue, the position and authority of the senior federal affairs executive, and any organizational arrangements or procedures that may exist specifically for such purposes. An executive interviewed for this study says. "Our priorities are based solely on the criterion of company interests—how much money will it cost? How much greater will our profits be? We try to base our judgments on the long-range view." By this common standard, most issues are reasonably clear and unambiguous.

Responsible operating and staff executives in many companies formulate positions and order lobbying activities on their own. Speaking of the role of a senior finance executive in his company, one government relations vice president explains: "When it comes to determining what our policy is going to be on any legislative or regulatory issue bearing on taxes, he calls the shots. I will present my case as to what is politically attractive and feasible. But he will decide whether we tackle the issue and what we try to achieve." Another government relations director calls the decisions of senior department heads in his company "my marching orders."

A consumer-products company executive says: "Because the company has a very deliberate style of decentralization, there is great freedom of action on government relations matters. We don't send out orders from headquarters to operating companies telling them what positions to take, or to go out and lobby. Within a broad strategic framework set by corporate management, the companies are responsible for their own actions."

Some participants liken the relationship between the government relations department and other units of the company to that of provider and client. "We operate like a law firm," one says: "We have three categories of clients—those at operating units, those at corporate staff units, and top corporate management. If there is no client for an issue, there is no issue." Provider-client arrangements, moreover, may involve charges for services. A food company allocates its entire government relations budget to internal user groups, on the basis of expenses incurred by each during the previous year for services ordered.

Other government relations executives claim much more authority and independence in deciding how limited company resources are to be allocated. The Washington-office head of a leading manufacturing firm says: "Countless numbers of bills are thrown into the hopper here. We have to prioritize on the basis of what the dollar impact would be if particular bills were passed. We calibrate this by working with the corporate staff and operating-component parts that would be affected. But we set the priorities."

Disharmony and Conflict

Managerial autonomy poses no threat to internal corporate harmony when divisional interests are similar or coincide. Nearly half the participants say this is always true for their firms. Elsewhere, however, issues may bear differently on the interests of particular operations. Internal conflicts arise "occasionally" in 9 percent of the surveyed firms, "often" in another 17 percent. In 27 percent, the public policy interests of divisions often differ significantly, but do not conflict.

Such differing and conflicting interests are a principal source of internal disagreement over positions, priorities and action plans. They are not the only source of divergent views, which also derive from differing individual judgments as to the likely benefits, costs, and risks of alternative courses of action.

Conflict within the ranks is no problem for one company, which extends the practice of divisional autonomy to issues of public policy. "Management encourages operating heads to take whatever actions will legally and ethically serve their interests," a company executive says. Another participant reports that divisions occasionally adopted and promoted divergent views until about six years ago "simply because top management wasn't paying close enough attention." A strengthened corporate level public affairs organization has corrected that condition, he reports; but two divisions were recently permitted to oppose each other on an issue "that involved questions of principle for the operating managers and for which the dollar consequences were really not that great."

Situations like these are highly exceptional: Most firms seek policies that optimize corporate interests. The top public affairs executive for a large multinational says, for example: "Operating companies handle issues that affect them. If the issues also have wider implications for the company, we take over. Operating companies may do the work, but we basically control the issue."

Establishing the Corporate Interest

Each company finds its own way to negotiate divisional disagreement and to evaluate how public policy proposals could impact upon corporate interests. Such endeavors involve the participation of operations managers, or staff specialists, or both. "When we see that an issue is broader

than a functional area or operating group, we identify what added players we need and bring them to the table," one government affairs head says.

At some firms the process is entirely ad hoc. "We have no committees and no task forces," a government affairs executive at a consumer goods firm says. "We don't even write position papers. There's a lot of communication, but it's informal—by phone, memo, brief meetings. We've talked many times of changing this. But it's our corporate culture. We're encouraged to do, not to plan."

Other companies rely largely on professional staff. One corporate director of government relations says, for example, that he meets the Washington office heads of two divisions of his company every Monday morning when Congress is in session "to try to resolve the differences of opinion about positions and priorities that frequently arise, as well as to exchange information."

Issues Committees

Recognizing that interests may differ, and seeking the benefits of exchange among managers of varied expertise, 28 percent of surveyed firms also employ issues committees, teams or task forces responsible for tracking issues and establishing positions and plans. The assignment of an issue or class of issues to such a committee usually signifies its importance (an oil company uses them for "significant" issues), as well as its potential for affecting the interests of more than one part of the company or area of staff responsibility.

Commenting on the formation of issues committees during the 1985-1986 tax reform deliberations one executive says: "Particular facets of the bill would have affected various parts of the company differently. Using a computer model, we were able to cost out the overall impact on the company of the various provisions. And through our tax committee we were able to ensure that all those concerned knew what was going on—and that everyone's fingerprints were on the positions we adopted."

Some firms have many issues committees functioning simultaneously. Some deal with issues that tend to persist, others are created to manage those of shorter term. A wood and paper products company, for example, has had eight to 10 such task forces in place during recent years to manage issues in such areas as transportation, taxation, research, energy and the environment. Each is headed by an issues manager drawn from senior staff or divisional ranks. An issues coordinator on corporate government relations staff serves as liaison between the issues managers and the Washington office.

Representatives of operating units sit on public-policy issues committees and task forces in most divisionalized companies. The need to ensure that their interests and perspectives are considered is often the principle reason for the existence of such groups.

The basic features of issues committees and task forces are illustrated by one such entity organized at a diversified

manufacturing firm to deal with proposals that would restrict or eliminate the use of a particular chemical. Represented on the issue committee were both corporate-level executives—heads or other senior representatives of the law, environmental health and safety, and government affairs departments and the president of the operating unit directly involved. Referring to a recent meeting of the group, the firm's Vice President for Government Affairs says: "We had established a position several months earlier that updated a still-earlier one. Now we had fresh information to consider. New bills were being introduced that day, meetings were taking place between representatives of foreign countries and State Department and Environmental Protection Agency personnel that bore on the issue, and other interested companies and non-business groups were changing their positions."

Higher Authority

"Sometimes internal opinions and interests simply collide—cannot be reconciled," one government affairs executive says. When that happens, as it does on occasion in almost all companies, the disagreements are brought to higher management for resolution. The Government Affairs Director of a high-technology manufacturing firm reports: "Like other staff units, my department exists to serve internal clients. But our system of management includes a contingency escalation process: If we disagree with a client's position, or if the client doesn't come up with a position, or if the client doesn't, in our judgment, assign enough importance to the issue, we take the matter to the next higher level of management." Before going to the top for a deci-

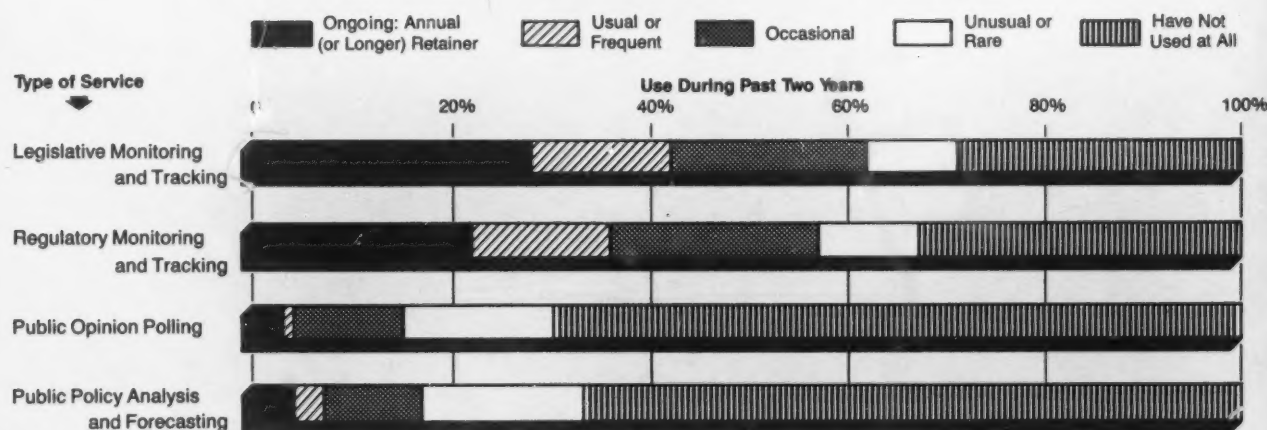
sion, another executive "tries to anticipate all the CEO's questions, and to become fully informed about the views of the division heads involved in the dispute."

Higher authority may be a committee as well as an individual. Nearly a quarter of the surveyed companies have management committees that oversee and review government relations and other public affairs programs. An important purpose of many of these committees is to develop positions on issues that cut across divisional lines, anticipating and heading off conflict while considering overall corporate interests. But their basic mission is usually, in one participant's words, "to wrestle with the strategic questions—the big-ticket stuff. Should we have a Washington office? Do we need more government relations efforts at the plant level? How good is our staff and organization? What, really, should we be trying to accomplish?" Some of these committees are geared specifically to external affairs, while others have broader charters.

Committees of this kind usually review positions on issues adopted by others in the firm—government affairs staff, operating managers, issues committees—but are not necessarily the last stop. One company, for example, has issues committees responsible for distribution, tax and product-related matters: each is composed of a lawyer, a public affairs executive, and operating-company personnel with relevant expertise and interest. "Positions they propose are sent to the external affairs committee for approval," a company official says: "But if there has been serious disagreement among the members, or uncertainty, the position is sent on to the chairman for review."

For issues that do not fall among the responsibilities of staff specialists or heads of operations, individual top

Chart 1
**Use During Past Two Years of Private Outside Services
for Federal Government Relations Planning**
(Base: 300 Companies)



executives—often the CEO—assume managerial directions of planning.

Use of Outside Resources

All but a handful of participating companies have retained private outside consultants or firms in connection with federal government relations efforts during the past two years. A few have used only legal services for purposes peripheral to the public policy sphere, as, for example, in litigation against the government, in helping to get licences, or in clarifying regulatory requirements.

Most widely used during the past two years were firms that monitor and track legislative developments (see chart 1)

These were employed at least occasionally during the period by more than 60 percent of surveyed companies. The reported use of regulatory monitoring and tracking services was marginally lower than the use of legislative monitoring and tracking. In general, monitoring and tracking services are employed as often by the smaller participating firms as by the larger ones. The study found only marginal differences in the use of monitoring and tracking services by companies of different type and size.

Public policy analysis and forecasting services were purchased, at least occasionally, by less than 20 percent of the surveyed companies. "We have used experts to read a bill and tell us what it means; read over a proposal and interpret it for us," one participant says. Somewhat fewer firms made use of outside public opinion polling.

Chapter 3

Program Implementation

Companies pursue public policy objectives by making their positions known to policymakers and by promoting them in traditional ways—generating constituent pressure, exploiting personal ties, negotiating trades and deals, calling in political debts, and providing campaign funds and other forms of support to legislators. To increase their effectiveness, government affairs professionals draw on other internal resources, work with business allies, and retain outside help.

Internal Resources

Almost all of the surveyed firms with federal government relations units report that staff members engage in lobbying (see box). “Lobbyist,” in fact, is the term by which many companies designate Washington office personnel. Lobbying occupies more staff time than any other activity at 36 percent of the surveyed companies; it ranks second at another 20 percent. The larger the government affairs department, the more likely it is to be a key activity. (See Tables 4 and 5.)

Managing and coordinating the participation of company personnel is also a basic part of the government affairs professionals’ job. For example, the authority and prestige of top executives may be brought to battles over major issues. “Some CEO’s spend half their time down here—people like Roger Smith (GM), Reuben Mettler (TRW), Lee Iacocca (Chrysler), when he had to,” a Washington-office director notes.

Much more commonly, technical specialists or operations managers are brought to the Capitol to advise legislators or committee staff about the unintended and/or undesirable consequences of proposals under consideration. Several participants explain how this works:

- The Public Affairs Manager for U.S. operations of a foreign-based multinational reports, for example: “We tend to put a great deal of reliance on the involvement of people in our companies who have expertise in subject areas—use them in effect as government relations staff. So even though the number of people who actually carry the title-job responsibility in a formal sense is very small, the number involved in the function is actually quite large.”

- “The experts at Phillips Petroleum are in Oklahoma, not here,” a Washington-office executive of that company comments. “If we’re calling on a staff person or member of Congress on an issue having to do with geology, computers, R&D,

drilling, exploration or other technical matter, we’re likely to ask one of our Oklahoma experts to come and join us.”

- The Washington-office head of a consumer goods firm says: “We represent the entire organization in Washington. But we are in constant touch with divisional managers and those they designate to manage issues. When things get too technical, beyond our conversational understanding, we use them as experts, to go the the Hill with us and explain the problem.”

A power company executive reports that appropriate departments maintain their own contacts with the Nuclear Regulatory Commission, the Internal Revenue Service, and the Environmental Protection Agency. The Public Affairs Director of a consumer goods firm describes the role of such an executive in his firm. “Our Vice President for Distribution has been very active on transportation issues for fifteen years. He represents the company with trade associations in Washington and has developed friendships with members of Congress who have been involved with these issues. When transportation matters arise, we naturally turn to him. But his friendships also extend to people with other legislative

Lobbying?

“Lobbying” commonly connotes any efforts by special interests to influence governmental decisions bearing on public policy. Most participants would probably exempt from the term activities that do not include direct contact with members of Congress, congressional aides, or other government officials. Thus, a corporate director of government affairs says that his firm has “never hired a lobbyist, per se,” though it has used “outside consultants” to represent it “in building a coalition with other firms that shared its interests” on a tariff issue; to “craft legislation” with staff members of the appropriate House and Senate committees; and to help the company “understand the opportunities for government help on a competitiveness issue with the Japanese.”

Some would limit “lobbying” to legislative issues and exclude efforts in the regulatory arena. Not all would consider public or media relations efforts designed to support company goals in public policy as parts of lobbying campaigns. Some feel the word itself to be impolitic or suggestive of impropriety, preferring such terms as policy representation, advocacy, and the like.

interests, and we have used him as a conduit to them. Government affairs has become, de facto, an important part of his job responsibility."

A company like MCI, headquartered in Washington, has unusual opportunity to bring diverse personnel into government affairs. "Because a large number of our people are knowledgeable about the substance of key issues, and are right here in the Capitol, they can be drawn in when necessary to cover hearings, present information, or play other substantive roles in shaping public policy initiatives," a corporate executive explains.

Grass-roots programs, too, may bring segments of a company's work force into letter-writing, telephone, or direct-contact campaigns. They sometimes involve personnel of operating companies whose primary duties are in state and local government affairs. Speaking of such staff members, one participant says: "They have no direct tie or responsibility to this office. But I keep them apprised of national issues so that when they see members of Congress during visits home, they'll be aware of where we are. I always get their suggestions and inputs into the Political Action Committee process. And they sometimes help us lobby. During the tax bill last year, for example, we called on them often to help us contact members with specific requests and to get constituents from their districts to send letters about their concerns. They've been very, very, helpful."

At least one company has institutionalized the sharing of government affairs duties among several corporate staff members: an executive responsible for a variety of public affairs functions, including government relations; the firm's general counsel; and a special assistant to the chairman. "They have formal periodic meetings as members of a Government Affairs Committee," a company executive says. "But more often than not they will get together on the telephone and kind of hash out what's on the plate—who is handling what aspect of it, what needs to be done—and sort of divide things up."

Business Organizations and Coalitions

Government affairs specialists in all companies devote time to identifying and collaborating with firms and business groups that share their interests: Half of those surveyed report that the time is considerable. One reason is to achieve (and demonstrate to legislators) the widest possible agreement and unity of purpose. "Legislators tell us to get our act together—when they hear different positions from firms in the same industry", one participant says. General business organizations such as the National Association of Manufacturers, the Business Roundtable, the U.S. Chamber of Commerce, and trade associations offer both unity and strength through numbers. The efforts of trade and business groups also make it possible for companies to limit their own involvement in many issues and to devote their resources to other concerns.

- The Government Affairs Director of a food company estimates that the work of trade associations allows him to devote well over half his time to issues that are specific to his firm's interests. "When our industry is lined up behind a position we favor or can live with, we get a free ride."

- A manufacturing firm's lobbyist says: "Because we worked through trade associations, except where we had a unique interest in an issue, we became directly involved last year in only five or six of about 20 issues that made our key issues list."

- An airlines executive reports: "If we didn't have the Air Transport Association (ATA) I'd need four more people on my staff. The ATA has a full-time lobbying staff of seven or eight people and a large tax department. It provides witnesses on a lot of legislative issues. Happily, there are still issues—increasingly few—on which the industry can agree. On these, ATA does all the work."

Finally, the opportunity to lobby through trade associations and other business organizations allows government affairs departments of individual firms to conserve political capital. "The less often we have to go to the well, ask to be heard, insist on the merit of our claims, the better off we are," one surveyed executive comments.

One problem, however, is that business and trade organizations do not always respond to issues as all their members would wish. At times, differences in constituent interests lead them to side-step some issues completely, to act on the wishes of dominant members, or to compromise in ways that please only a few.

Single-issue coalitions are an increasingly common way of meeting this problem. Coalitions often represent groups of firms that share interests but find themselves at odds with, or otherwise not represented by, their trade associations. They may also bring together trade associations that happen to share a point of view on a particular issue. Through single-issue coalitions, cooperating companies and business groups formulate mutually acceptable position statements, develop strategies, and allocate responsibilities among participants.

The Washington-office Vice President of a manufacturing firm says, for example: "We got into a few coalitions with the tax bill. One was called the Charlie Walker coalition, for the former Assistant Secretary of the Treasury, who heads a lobbying firm specializing in tax matters and who represented this coalition. Three large companies started it. To augment its membership and resources, their chief financial officers passed the hat around."

Staff is sometimes employed to help administer and coordinate coalition activities, and lobbyists may be hired with funds contributed by participants. Coalitions are occasionally created on the initiative of outside lobbyists who, as one participant comments are "all looking for new business". Certain coalitions, like the Coalition for Office Technology (COT) are active at the state as well as the federal level. COT,

was created to deal with proposals that would regulate working conditions at video display terminals.

Single-issue coalitions, like other business alliances, may at some point in the evolution of an issue adopt positions disappointing to certain participants. "If your trade association is also part of the coalition, you are doubly at risk," one senior executive notes. Either one can cut a deal you do not like. But the conclusion top management so often draws—that you have to be independently involved on every issue, have your finger in every pie, always work one-on-one with the key decision-makers—is a bad over-reaction."

Many firms lack the personnel to become involved, either independently or with others, on all important issues, but know they can usually depend on companies that are staffed in greater depth or more vitally concerned. The government affairs director of one says: "My joke is that we really have three trade associations—the Computer Business Equipment Manufacturers Associations, AT&T and IBM. We have a small staff and we're always looking for other people to carry the water for us. I think it's the smart way."

Outside Lobbyists

About three-fifths (58 percent) of the firms participating in this study have retained the services of outside lobbyists at least "occasionally" during the past two years. The rest have either used them "rarely" (17 percent) or not at all (25 percent). Among those who rarely or never go outside for lobbying help are a few politically-active firms whose common view is stated by one government affairs director: "We have never felt that a hired lobbyist would have the necessary understanding of our corporate philosophy of integrity, of telling both the upside and the downside of an issue to members of Congress—or the loyalty to the company."

Outside lobbyists are used by smaller surveyed companies about as often as by larger ones, and very little difference was found among the various types of businesses. The study also finds small differences in use of lobbyists between companies with one government relations specialist and those with larger staffs—and no difference at all between the single-member and part-time-only firms. But firms in which federal government relations is not an assigned staff responsibility at all, either full or part-time, are far less likely to employ outside lobbyists than those in which federal government relations is an assigned staff responsibility. Only 15 percent of the first group have used lobbyists occasionally or more often during the past two years.

Though widely used by firms with federal relations staffs of their own, outside lobbyists do not often carry the main weight of the company's lobbying effort. Staff members do most of it at 70 percent of the surveyed firms—lobbyists at only 13 percent, with the task divided about evenly in the remaining 17 percent. The larger the internal staff is, the greater the likelihood that it will do the lion's share of the firm's lobbying.

Selection Criteria for Lobbyists

Companies turn to outside lobbyists when events require greater effort or expertise than internal staff can provide. The quality most commonly sought in outside lobbyists is access—the ability to make contact quickly with key people in government. "He's been involved politically, has friends that we don't have," one participant says about a lobbyist used by his firm. "It's obviously impossible for a two-person office like ours to have good, long-standing relations with all the committees and subcommittees on the Hill," another explains. "The time available to law-makers is limited and many voices are pressing to be heard."

But access usually implies something more than the ability to get a hearing. A lobbyist's prior association with a public official carries the promise of a more sympathetic hearing than another might expect, greater trust in the information being conveyed, and a disposition to find some basis for accord.

Nearly as important a criterion for selecting lobbyists is knowledge of the technical aspects of issues at hand. One executive, referring to his firm's use of "a person who knows his way around the labyrinth of the Internal Revenue Service," comments: "Clearly, it (getting a letter-ruling) required a skill that neither I nor my colleagues have or need to have." Another participant notes that her company's operations have become so varied—ranging from an insurance company to a fish hatchery—that no one staff person can be expected to provide all the expertise needed.

The ability to devise strategies and campaigns ranks third among factors influencing the selection of lobbyists. One participant explains: "It is assumed that a lobbyist knows the right people and has a grasp of the issues. But lobbyists must also have political savvy. From voting records, public statements and the like, they must know which members will be sympathetic to the company's position. They must understand legislative procedures—how you get a bill from concept to enactment, for example. Lobbyists must also have tactical skills and a sense of timing. They must know, for instance, when to slip through a proposal by getting a supporting chairman to add it to a reconciliation bill or a continuing resolution—and how to get this done. Finally, they must understand what they have to trade for votes in the way of financial and political support."

The value participants say they gave to various criteria in "recent" selections of lobbyists is summarized in Chart 2, p. 18.

Firms with larger-than-average government affairs staffs, and those that do most of their own lobbying, are less likely than others to attach prime importance to access when seeking outside lobbying help, and more apt to be looking for knowledge about specific issues.

Participants report lobbyists are identified and selected in various ways:

- Direct experience: observation of the performance of lobbyists employed earlier by the firm, by coalitions in which

the firm has participated, or by opponents. "We were so impressed with the job a lobbyist did in opposing us once that we got him to represent us on another issue," a participant says.

- Reputation: "Certain people are known to be consistent performers" on particular issues.
- Recommendation by associates, other firms, and business organizations: "The whole town is constantly networking."
- Extension of previous relationship: "Our law firm was selected for its expertise in taxes but had lobbying capabilities as well; when we needed them, we used them."

Arrangements with Lobbyists

Among the companies that have employed them at least occasionally during the past two years, well over half hire lobbyists to work on specific campaigns. Their agreement may stipulate a flat fee—"so many dollars to solve your problem", in one participant's words—or hourly charges.

Fewer than half of the firms employing them report that their use of lobbyists has been ongoing and based on annual or longer-term retainers. (Retainer arrangements usually provide for predetermined hours or days of service, with additional time charged separately.) Contingency arrangements or "opportunity contracts" in which fees depend on success are also reported but appear to be highly unusual. One executive opposed to them says: "Where big money is involved, there's a greater chance that something illegal will be done."

Policy Representation in Washington

The growth of corporate representation in Washington during the past few decades has paralleled major increases

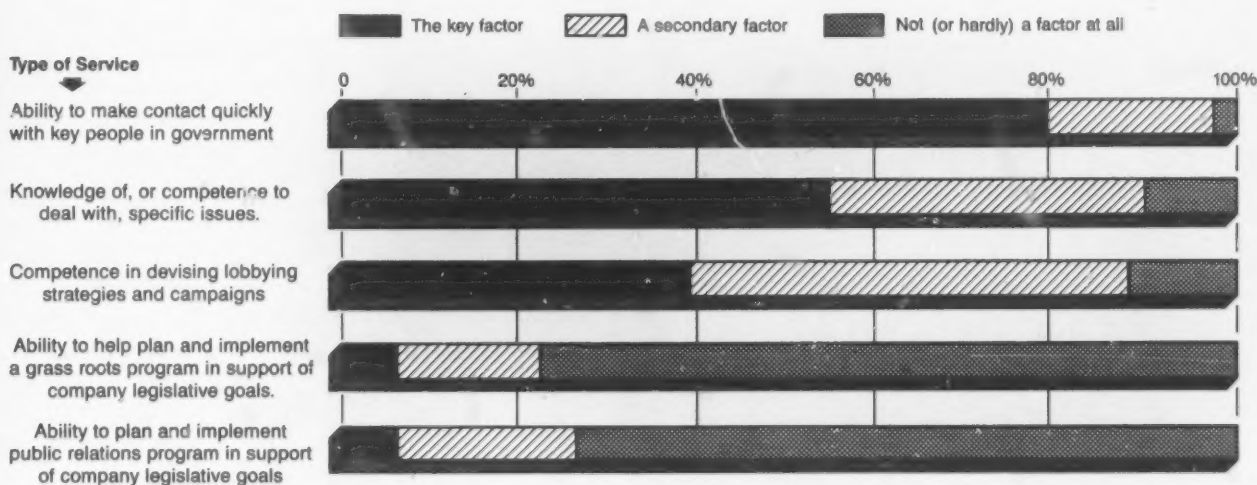
in the number, variety and resources of other interest groups in that city. Environmental, consumer, minority, antinuclear, religious, and other groups have brought to the Capitol a multiplicity of new voices, while many of those earlier on the scene have expanded their presence.

Policymakers, meanwhile, have become more dependent on lobbyists for information. For one thing, the public policy issues they face are becoming increasingly complex. The unprecedented independence of members of Congress from party discipline and committee influence has also given them a greater need to understand the technical aspects of important issues and the political implications of alternative positions. As one corporate government relations executive comments: "Legislators cannot hope to grasp all the implications of the bills on which they must pass judgment so they have learned to use corporate people as a resource." In hearing from business, labor, consumer, environmental and other lobbying groups, legislators also gain insight into how the political winds are blowing in their districts.

Corporate decision makers do not always understand this, some observers say. One comments: "Many CEOs still haven't grasped that they are welcome in Washington—that Congress could not function without them." In fact, as legislators and their staff seek to understand new and evolving issues, or to refashion bills involving diverse interests, views and information from lobbyists are actively sought. "Many times we are even asked for briefings on issues that don't really concern us, simply because we have a reputation for providing solid, factual, and unbiased information," one corporate executive says.

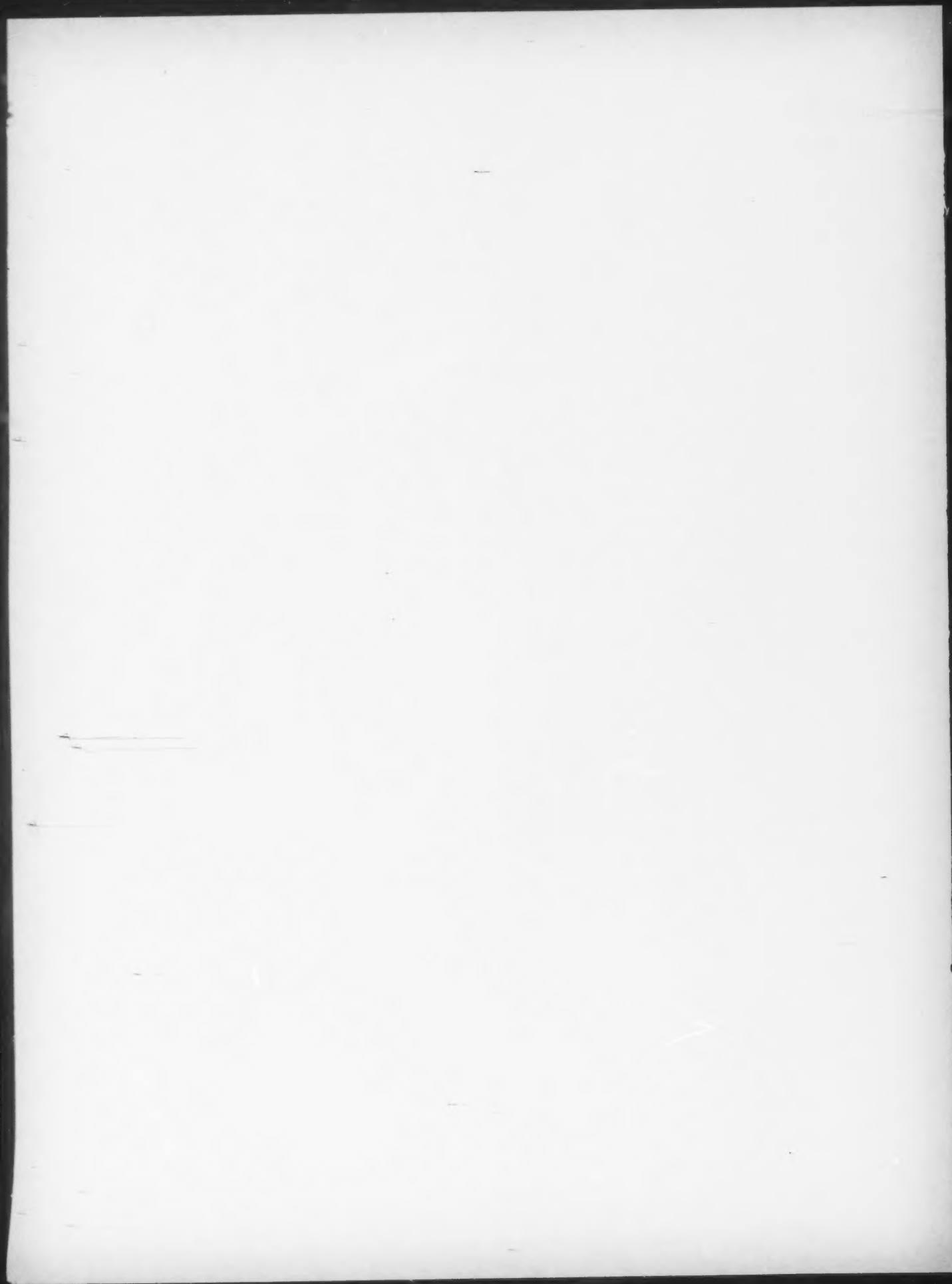
On balance, many participants believe that the job of lobbying has been getting harder. "You have to make more stops to get it done," a government affairs executive long in

Chart 2
Criteria in Choice of Lobbyists
(Base: 208 companies)



Washington comments. "Years ago there was a greater tendency to work through political parties. Cash contributions were not uncommon. Committee chairman were often powerful, even autocratic. You can't get any business done by going to the Republican or Democratic Party. You can't pass money. You can't really get anything done with PAC money except, perhaps, access. Committee chairman can't do what you want them to. It's all become more complex and more bipartisan."

Moreover, as another participant notes, "things are done differently today because we're all overwhelmed by the information explosion. You've read it and it's true—about the good old days of conveying your views over cocktail parties, dinners and lunches. Nobody has the time to do business that way anymore. You have to sit down during business hours, loaded with your facts, and get the job done quickly. You can't talk in generalities, because for the most part you're up against very sophisticated staffs and they outnumber us."



Chapter 4

Changes Since 1980

About half of the surveyed companies have increased their commitment of resources to federal government affairs since 1980—added staff, made greater use of outside resources, or both. A substantial minority report reductions, however, while others indicate that a larger company stake in federal policy issues has not been matched by commensurate growth in resources. (Retrenching firms may also be under-represented among the 300 that participated in the Board's survey—less interested in the subject or inadequately staffed to provide the requested information.)

Issues Since 1980

Most participants report that the advent of the Reagan administration did not reduce their company's need to be represented in the nation's capitol.¹ In fact, four out of five of the surveyed firms report that the number and importance of federal issues affecting their firms increased after January 1981; nearly half of these firms characterized the increase as "great" (see Table 7). No less striking is the finding that only one participant in twenty reports a decrease in issues bearing on company interests during the Reagan years.

The perception that their stake in federal-level issues rose during the 1980's is shared by the great majority of firms in all major industry-groups, regardless of their size. Reagan-era issues fall into several groups:

First, issues of the kind associated with the late 1960s and 1970s have not disappeared. Many companies continue to place environmental concerns high on their legislative agendas. Nuclear energy still absorbs others. A utility company's director of government affairs complains, for example, that "proposals bearing on nuclear power have increased dramatically during recent years."

Second, issues of economic, trade, and fiscal policy that carry high stakes for business—tax reform and protectionism, in particular—have taken top spots on the federal agenda. Conflict within the business community on these

issues has, if anything, broadened and intensified the level of its response.

Third, business groups have themselves initiated or joined in efforts to change policy in other areas—for example, tort reform, health-care cost containment, and reregulation.

Some companies report increased involvement in regulatory as well as legislative matters. "More negative decisions for business have been made during the Reagan years than we could possibly have anticipated," a chemical company executive comments. "Frequent tax and regulatory decisions affecting real estate investment and ownership have made it mandatory that we maintain an active presence in Washington," another participant says. An appliance manufacturer asserts that "agency bureaucrats continue to generate paperwork requirements," (noting, though, that much of it stems from legislation enacted during the 1970s). Growth in an aerospace firms' concerns are attributed by a company executive to "an extraordinary degree of congressional and administration oversight on both domestic, i.e., defense matters, and on exports." A chemical company executive complains of "inefficient administration of farm legislation."

Federal policy issues have also increased for many companies as a result of changes in the structure or mission of the firm itself. Business acquisitions, a number of participants testify, have "brought with them additional issues;" or have "significantly increased the scope and range" of Washington interests. New corporate strategies and marketing goals have had similar effects. Various manufacturers

Table 7: Change in Number and Importance of Federal Issues Affecting Company Since January 1981

Increased greatly	45%
Increased somewhat	34
Little or no change	16
Decreased somewhat	5
Decreased greatly	*
Total	100%

*Less than 0.5 percent

¹A recent Conference Board study found these to be business's top ten public issues: tax reform, environmental issues, tort liability reform, health care, deregulation, protectionism, technology and economic competitiveness, reregulation, budget deficit, and South Africa. Not all of these are exclusively, or even primarily, federal-level concerns. See Catherine Morrison, *Forecasting Public Affairs Priorities: 1987 Edition*, Research Bulletin No. 209, The Conference Board, 1987.

Table 8: Change in Size of Company's Federal Government Relations Staff Since January 1981

Increased	44%
Unchanged	34%
Decreased	20%
Mixed*	2%
	100%

*Increased at corporate level and decreased at divisional, or vice versa.
Base: 280 companies

report that their federal concerns have risen because they have "increased their defense business;" "moved into the export of high-tech equipment;" or "gone into global marketing." An insurance company has "rapidly added new products."

Commitment of Company Resources

If these judgments of increased need reflect, in part, an inclination by staff professionals to stress the importance of their function, they also appear to be shared in many firms by top corporate management. For one thing, twice as many of the surveyed firms have increased federal affairs staff since 1980 as have reduced it (see Table 8).²

²Because of growth earlier in the period, federal government relations staffs are higher today at some companies than in 1980, despite recent cutbacks.

Increased resource allocation to federal government relations has not been limited to staffing. The use of outside monitoring and lobbying resources has also risen four times more than it has fallen off (Chart 3).

Net Change Relative to Need

Most companies reporting staff growth since 1980 say that their use of outside firms and consultants has also increased. Some firms that have cut staff are also employing outside resources more often than before, though about as many are doing so less often. Changes in the use of the most popular kinds of outside services, relative to changes in staffing, are shown in Chart 4.

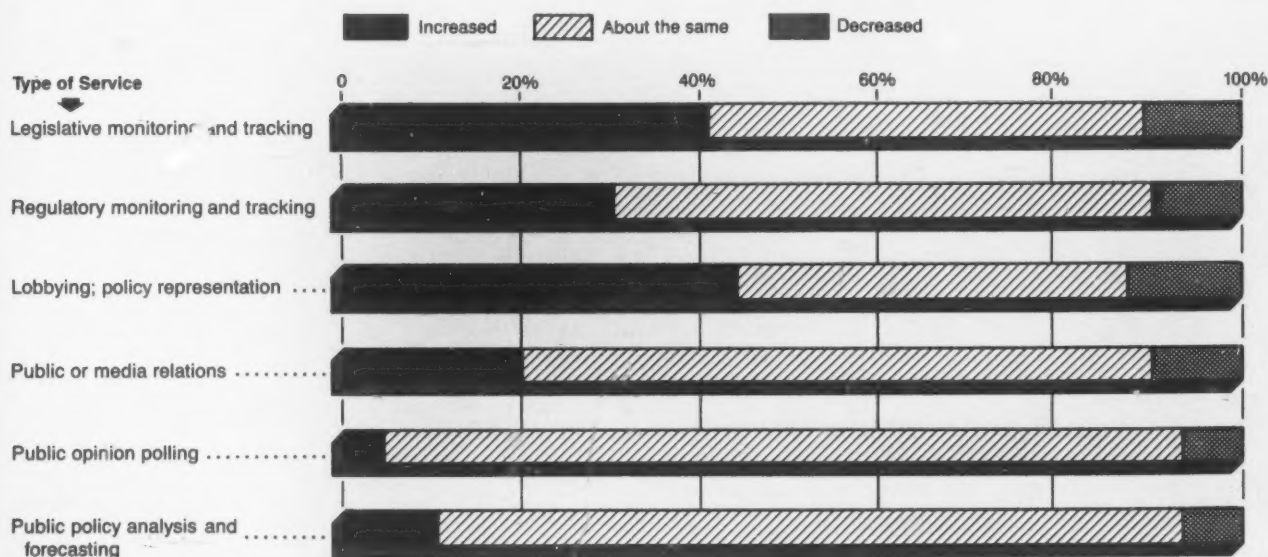
All in all, 44 percent of the surveyed companies have increased the size of their federal relations staffs since 1980, and an additional 8 percent have added to their resources by holding staff steady but making greater use of outside services. Firms in which staff has remained constant, and less use is made of private firms and consultants, can be said to have experienced a net reduction in resources.

As Chart 5 shows, scarcely more than half of the firms reporting an increase in the number and importance of issues during the 1980s have also increased their commitment of resources to federal government affairs. Where issues are no more numerous than in the past, resource commitment has fallen more often than it has risen.

Reasons for Change

Resource growth since 1980 has come principally from the recognition of increased need. Virtually all—96 percent—

Chart 3
Changes Since January 1981 in Company's Use of Outside Resources
(Base: 280 companies)



of firms whose federal government affairs staffs grew, for example, also report growth in the number of important issues facing their companies. Some participants say that changes in top management's perceptions of the potential benefits has also contributed to increases in the commitment of resources to federal affairs. Such perceptions appear to have been influenced—particularly in the early years of the decade—by the anticipation of greater opportunities under the Reagan administration to influence public policy.

Some respondents comment, similarly, on the “greater ease” top executives have felt in dealing with “fellow Republicans,” and in “attaining dialogue” with the Reagan adminis-

tration and Republican-controlled Senate. “The new administration captured the imagination of management,” one government affairs director says. “With expectations raised they became more disposed to come to Washington themselves, to serve on councils and committees, to deal with matters of substance. All this, of course, created a need for more staff support and a more favorable view of the whole program.” Another executive observes that after his “CEO became actively and visibly involved in promoting the Reagan tax bill, his sensitivity to staff needs increased.”

Many companies have been forced to reduce staff by economic circumstances. Major operating losses over a three-

Chart 4
Changes Since January 1981 in the Use of Key Outside Services by Change in Staff Size
(Base: 280 Companies)

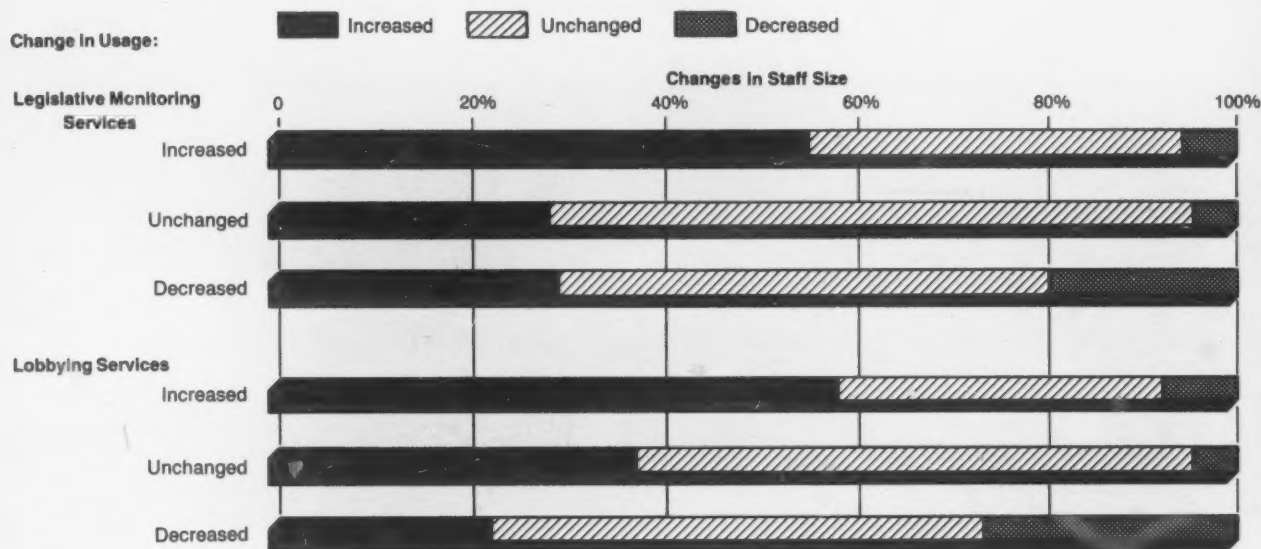
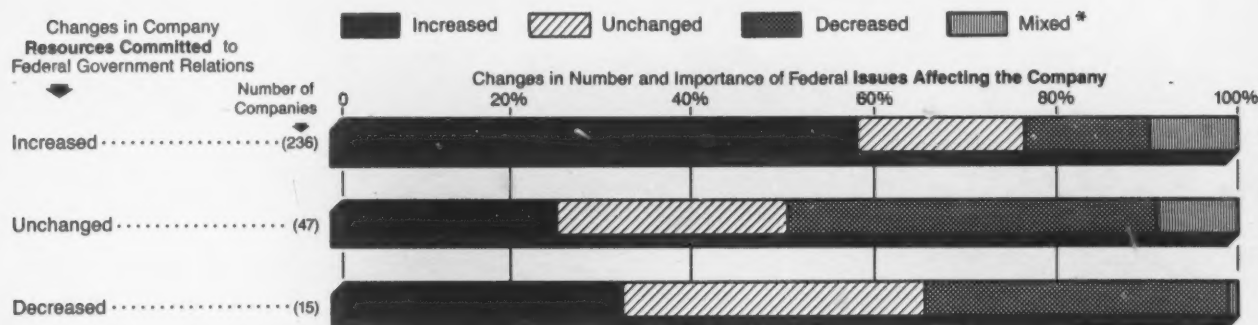


Chart 5
Resources Vs. Needs: Changes Since January 1981



*Increase in staff and decrease in use of outside service, or vice versa

year period led one firm "to give up a full-time presence in the Capitol and remove its Government Affairs Vice President to corporate headquarters in San Francisco." Poor business conditions and reduced profits in another company have required severe cutbacks, including the elimination of a separate government affairs function.

Some staff reductions have also been responses to diminished need. Much as acquisitions have created new issues for some companies, divestiture, restructuring and downsizing have reduced them for others. Similarly, contrary to the more frequently-cited cases, several firms note "less bureaucratic paperwork" and "fewer forms." And many of the small band of companies reporting that their concerns at the federal level have diminished, have simply shifted staff resources in response to a change in governmental venue. "There has been a major migration of issues from the federal level to the states and localities," one electric utility company reports. "State issues did not exist for us before 1981," another says.

Other Resources

Other company personnel and business organizations have become more useful in the government affairs efforts of many firms, often picking up some of the slack caused by reductions in staff or in the use of outside consultants. For example, 73 percent of the surveyed firms report that the involvement of corporate management in government affairs has increased since 1980; more than half say that it has increased greatly. Only 8 percent of respondents say that such involvement has fallen off.

One company reports that "responsibility for federal, state and local government relations has been turned over completely to operating management." An airlines executive says: "Ten years ago this office was more involved in the rule-making process of the Federal Aviation Administration. We do practically none of that now. We're just not equipped to. But that doesn't mean the function doesn't get done. Flight Operations just sends a guy down to Washington a lot." (See box.)

Trade associations and other business organizations are not always able to meet the expectations of their constituents. Speaking for a company that manufactures steel and other products, one participant says: "At one time all members of the Iron and Steel Institute agreed on issues. Now, most have become diversified or absorbed into more diverse—sometimes foreign-owned—firms. Each has a different angle. Some are desperate financially and would like the government to bail them out. When differences are substantial, the Institute won't take a position."

Several recent developments appear to have exacerbated tensions and conflicts within the business community, at least temporarily:

- New business interest groups have emerged or become more prominent and assertive in Washington. The financial

services industry, divided over further deregulation, and rapidly growing high-technology and service groups are notable examples.

- Issues of major importance to the earnings and competitive vitality of many companies—as, for example, tax and trade policy, which also tend to be particularly divisive have been high on the nation's public policy agenda.

Still, nearly half the participants say that their key trade associations have been providing them with more effective support than they did before the Reagan years: only 10 percent say the value of these organizations has decreased. General business organizations such as the National Association of Manufacturers, the U.S. Chamber of Commerce, and the Business Roundtable, do not come off quite as well. Only 30 percent of respondents think their effectiveness has increased; over 15 percent report a decrease. Still, corporate perceptions of these organizations are predominantly favorable, and even more so among firms that, having lost government relations staff, are more reliant on these groups, among others.

Single-issue coalitions have assumed unprecedented importance in recent years and have become an integral feature of corporate lobbying strategy. "We've multiplied our force of five professionals several-fold by asking others to join us—by initiating, building, and supporting coalitions," the head of government relations for one consumer goods firm says. Two-thirds of the surveyed firms say that single-issue coalitions have become more valuable to them during the Reagan years. Again, firms that have experienced staff reductions are represented disproportionately in this group.

Washington-Office Scorecard

Thirty-two of the 300 firms participating in the Board's study have opened offices in Washington during the Reagan administration; 14 companies that opened such facilities earlier have closed them. Manufacturing firms, which represent close to half of the businesses surveyed, account for 12 of the 14 closings. The figures below show that while the rate of closings has jumped sharply since 1980, openings have exceeded them in number. The rate of openings during these years, averaging about five per year, is only moderately down from the prior decade's six per year.

	Offices Opened	Offices Closed
1970 and earlier	63	1
1971 to 1980	62	5
1981 to 1987*	32	14
Total	157	20

* Data was collected during March—May 1987.

Adding Value

Companies are also pursuing the goal of greater cost-effectiveness by sharpening or shifting the focus of federal affairs activities. Whether their programs have grown, diminished or held steady, those who manage them report that they are increasingly guided by a practical concern for the company's bottom-line. As the government relations manager of a financial service company notes, "Everyone in the company is asking where we can get that extra profit from. Well, we're trying to get it out of Washington."

A consumer goods executive adds: "The Washington environment permits—even encourages—you to attend lots of meetings, talk with lots of people, keep busy doing lots of things, and never really consider what value you've added for the company. We've become more alert to that pitfall, more sensitive to our role as people who serve a corporate client and have no other purpose."

Some units are seeking bottom-line benefits by focusing more on federal policies and programs that create opportunities for the sale of company products to the government. The director of government affairs for a high-tech manufacturing firm says, for example: "Our Washington office was set up ten years ago as the eyes and ears of the company, with three professionals and three supporting members. The numbers haven't changed, but the nature of our work has, dramatically. Around 1984 we started lobbying for the first time in a serious way. We're now becoming much more involved in marketing-related activities? Why the change? Mainly competition from Japan. But also greater difficulty in doing business with the government."

Some government relations department heads interviewed for this study maintain that staff reductions have occasioned no loss in effectiveness. "We're working harder and better," they say. Others acknowledge some narrowing of scope. What has given way, according to the government affairs head of a multidivisional manufacturing and service firm, is all but essential, core, activities. "We no longer feel that we have to keep everyone in the organization informed about everything: They learn most of what they need to know from their trade associations and community of peers. We no longer concern ourselves about social responsibility issues. We've winnowed down a long list of issues delineated by the sectors to three or four that are basic to the business. And because we're tied more closely to top management and the direction of the company, we're better able to understand how Washington events might affect us."

Looking Ahead

About a third of the surveyed executives volunteered information on changes currently planned or judged proba-

ble in their companies' organization and staffing for federal government relations. Most anticipate growth, specifically in staffing. An energy firm, for example, will "add one 'Hill' lobbyist and one regulatory type within the next eighteen months;" a high-technology company will add one additional federal government relations professional in Washington and "one part-time person at corporate headquarters by fiscal year 1989."

Greater use by their companies of outside resources is seen by some. "As issues continue to mount, it will be necessary to look to outside counsel for guidance," a utility executive says. One consumer-goods company will go outside to gain "expertise we could not afford full-time;" another remarks that it will probably increase its use of public relations organizations. A metal products company "will contract with a trade specialist for consulting during the current GATT round of trade negotiations."

Only a handful—literally, five—of the participants commenting on the future anticipate a decline in resources devoted to federal government relations. In at least one company there will be a commensurate staffing gain for state and local affairs. The other four expect overall government relations cuts—"more budget constraints and further staff reductions; a decrease in staff and more reliance on trade groups and operating management."

Other organizational change is expected by some companies. Several surveyed executives report, for example, that their firms' experience with internal disagreements ("a guy from the holding company pushing one position and a guy from a subsidiary pushing his own," as one executive puts it) will bring measures to ensure that only one corporate stand is brought to future legislative debates. Increased attention to federal government relations will be reflected at one firm by the creation of a public affairs committee of line and staff executives "established to serve as a watchdog on key issues and to alert lobbyists." Another company will increase staff effectiveness by consolidating corporate and divisional departments; still another, through computerization.

Six participants believe that their companies will open—or reopen—Washington offices. "Our Washington representative, who commutes from Birmingham, is likely within 12 months to be based in the Capitol," one says. None of the respondents expects a Washington office to be closed. One company is trying to decide whether the Washington office of a recently acquired firm should continue to serve that unit, become the basis for a regular corporate presence in the Capitol, or be closed.

"I came to Washington in 1961," one government affairs executive says, "and I can tell you that our workload has increased through several presidencies." The most common assumption about the future among participants in this study is that the next presidency will prove no different.



Appendix

Cross-Tabulation by Type and Size of Company

The following tables break out key survey data by company type and size. The number of companies represented in each type-category is: durable-goods manufacturing, 73; nondurable goods manufacturing, 70; gas and electric utilities, 35; financial service companies, 49; others, 73. Companies within each industry-type category are divided into "larger" and "smaller" groups of equal size based on sales or, in the case of financial companies, assets.

Table A: Corporate-Level Staffing for Federal Government Relations

Company Type and Size	Full-time staff members ¹			Part-time only ²	Not assigned	Total
	5 or more	2 to 4	1			
Durable goods manufacturing	13%	21%	24%	30%	11%	100%
Larger firms	19	31	25	17	8	100
Smaller firms	6	12	24	44	15	100
Non-durable goods manufacturing	15	34	21	19	10	100
Larger firms	18	47	21	12	3	100
Smaller firms	12	21	21	27	18	100
Gas and Electric Utilities	21	24	48	3	3	100
Larger firms	35	29	29	6	-	100
Smaller firms	6	19	69	-	6	100
Financial services	13	20	33	28	5	100
Larger firms	15	20	45	20	-	100
Smaller firms	10	21	21	37	10	100
Other	23	23	22	26	8	100
Larger firms	46	22	19	11	-	100
Smaller firms	-	20	24	40	16	100
TOTAL	17%	25%	28%	23%	8%	100%
Larger firms	26	34	24	12	3	100
Smaller firms	7	16	30	33	14	100

¹Includes all professionals and managers who devote full time to government affairs and at least some of it to federal affairs. Those who divide their time among several levels of government are assumed to spend half of it on federal matters: two such persons are figured to be the equivalent of one full time federal affairs specialist in this table.

²Primary assignment is in staff function other than government affairs (e.g., law, public relations).

Table B: Division-Level Staffing For Federal Government Relations in Multi-Divisional Companies

Company Type and Size	Full-time staff members ¹			Part-time only ²	Not assigned	Total
	5 or more	2 to 4	1			
Durable goods manufacturing	6%	3%	9%	14%	68%	100%
Larger firms	9	3	11	3	74	100
Smaller firms	3	3	7	27	60	100
Non-durable goods manufacturing	4	12	12	11	61	100
Larger firms	9	14	14	10	55	100
Smaller firms	-	11	11	11	67	100
Gas and Electric Utilities	12	18	12	6	53	100
Larger firms	22	11	11	-	56	100
Smaller firms	-	25	12	12	50	100
Financial services	-	6	13	16	65	100
Larger firms	-	13	25	7	73	100
Smaller firms	-	-	18	25	56	100
Other	6	4	2	24	63	100
Larger firms	13	4	4	26	52	100
Smaller firms	-	4	-	22	74	100
TOTAL	5%	7%	9%	15%	63%	100%
Larger firms	9	7	8	10	64	100
Smaller firms	1	7	10	19	62	100

1 Includes all professionals and managers who devote full time to government affairs and at least some of it to federal affairs. Those who divide their time among several levels of government are assumed to spend half of it on federal matters: two such persons are figured to be the equivalent of one full time federal affairs specialist in this table.

2 Primary assignment is in staff function other than government affairs (e.g., law, public relations).

Table C: Company-Wide Staffing for Federal Government Relations

Company Type and Size	Full-time staff members ¹			Part-time only ²	Not assigned	Total
	5 or more	2 to 4	1			
Durable goods manufacturing	17%	24%	20%	27%	11%	100%
Larger firms	28	31	22	11	8	100
Smaller firms	6	1	18	44	15	100
Non-durable goods manufacturing	21	37	15	18	9	100
Larger firms	26	50	12	9	3	100
Smaller firms	15	24	18	27	15	100
Gas and Electric Utilities	24	36	33	6	-	100
Larger firms	41	35	18	6	-	100
Smaller firms	6	37	50	6	-	100
Financial services	13	23	36	23	5	100
Larger firms	15	25	40	20	-	100
Smaller firms	10	21	32	26	11	100
Other	26	20	22	26	8	100
Larger firms	46	23	19	11	-	100
Smaller firms	4	16	24	40	16	100
TOTAL	20%	28%	23%	21%	8%	100%
Larger firms	32	35	20	10	3	100
Smaller firms	8	21	26	32	12	100

¹Includes all professionals and managers who devote full time to government affairs and at least some of it to federal affairs. Those who divide their time among several levels of government are assumed to spend half of it on federal matters: two such persons are figured to be the equivalent of one full time federal affairs specialist in this table.

²Primary assignment is in staff function other than government affairs (e.g., law, public relations).

Table D: Presence of Government Relations Personnel in Divisionalized Companies

Company Type and Size	Percent of companies in which government relations staff members are present at...				
	Both corporate and divisional levels	Corporate level only	Divisional level	Neither level	Total
Durable goods manufacturing	14%	43%	3%	39%	100%
Larger firms	17	58	6	19	100
Smaller firms	12	29	-	59	100
Non-durable goods manufacturing	21	49	3	27	100
Larger firms	26	59	3	12	100
Smaller firms	15	39	3	42	100
Gas and Electric Utilities	24	70	-	6	100
Larger firms	24	71	-	6	100
Smaller firms	25	69	-	6	100
Financial services	10	56	3	31	100
Larger firms	15	65	-	20	100
Smaller firms	5	47	5	42	100
Other	12	55	-	33	100
Larger firms	19	69	-	12	100
Smaller firms	4	40	-	56	100
TOTAL	16%	53%	2%	29%	100%
Larger firms	19	66	2	13	100
Smaller firms	14	40	2	29	100

Table E: Presence of Federal Government Relations Personnel in Divisionalized Companies

Company Type and Size	Percent of companies in which federal government relations staff specialists are present at...				
	Both corporate and divisional levels	Corporate level only	Divisional level	Neither level	Total
Durable goods manufacturing	10%	40%	3%	47%	100%
Larger firms	14	53	3	31	100
Smaller firms	6	26	3	65	100
Non-durable goods manufacturing	12	49	4	34	100
Larger firms	18	62	3	18	100
Smaller firms	6	36	6	52	100
Gas and Electric Utilities	6	58	3	33	100
Larger firms	12	71	-	18	100
Smaller firms	-	44	6	50	100
Financial services	5	38	3	54	100
Larger firms	5	45	-	50	100
Smaller firms	5	32	5	58	100
Other	8	47	-	45	100
Larger firms	12	65	-	23	100
Smaller firms	4	28	-	68	100
TOTAL	9%	46%	3%	43%	100%
Larger firms	12	62	2	24	100
Smaller firms	5	30	4	61	100

Table F: Responsibility for Divisional Interests

<i>Company Type and Size</i>	<i>Percent of firms that are divisionalized</i>	<i>Percent of divisionalized companies in which divisional interests are represented...</i>			<i>Total</i>
		<i>Entirely by corporate staff</i>	<i>Entirely by divisional staff</i>	<i>Partly by corporate; partly by divisional staff</i>	
Durable goods manufacturing	93%	80%	1%	19%	100%
Larger firms	97	79	3	17	100
Smaller firms	88	80	-	20	100
Non-durable goods manufacturing	84	80	7	13	100
Larger firms	85	77	10	13	100
Smaller firms	82	85	3	12	100
Gas and Electric Utilities	53	90	-	9	100
Larger firms	53	92	-	8	100
Smaller firms	53	91	-	10	100
Financial services	80	82	-	17	100
Larger firms	75	73	-	27	100
Smaller firms	84	93	-	7	100
Other	90	81	-	19	100
Larger firms	88	83	-	17	100
Smaller firms	92	80	-	20	100
TOTAL	83%	82%	2%	16%	100%
Larger firms	84	80	3	17	100
Smaller firms	82	84	1	15	100

Table G: Conflict and Coincidence of Interest in Divisionalized Companies

<i>Company Type and Size</i>	<i>Percent reporting that corporate and divisional interests...</i>			<i>Total</i>
	<i>Tend to coincide</i>	<i>Occasionally or often differ, but rarely or never conflict</i>	<i>Occasionally or often conflict</i>	
Durable goods manufacturing	47%	32%	21%	100%
Larger firms	35	39	26	100
Smaller firms	61	25	14	100
Non-durable goods manufacturing	44	40	16	100
Larger firms	45	31	24	100
Smaller firms	43	50	7	100
Gas and Electric Utilities	33	43	24	100
Larger firms	27	46	27	100
Smaller firms	40	40	20	100
Financial services	52	32	16	100
Larger firms	40	34	26	100
Smaller firms	63	31	6	100
Other	46	39	16	100
Larger firms	39	35	26	100
Smaller firms	52	43	5	100
TOTAL	45%	37%	18%	100%
Larger firms	36	39	24	100
Smaller firms	54	35	11	100

Table H: Use of Private Outside Lobbyists During Past Two Years

Company Type and Size	Have not used at all	Use has been as needed and...			Use has been on- going; annual (or longer) retainer	Total
		Unusual or rare	Occasional	Unusual or frequent		
Durable goods manufacturing	31%	18%	19%	10%	21%	100%
Larger firms	24	30	21	3	21	100
Smaller firms	38	6	18	18	21	100
Non-durable goods manufacturing	25	14	30	5	21	100
Larger firms	14	14	45	3	24	100
Smaller firms	37	15	15	15	18	100
Gas and Electric Utilities	16	29	13	3	39	100
Larger firms	19	31	6	-	44	100
Smaller firms	13	27	20	7	33	100
Financial services	29	14	19	5	35	100
Larger firms	21	5	32	10	32	100
Smaller firms	33	22	6	-	39	100
Other	18	18	36	6	22	100
Larger firms	12	15	39	12	23	100
Smaller firms	25	21	33	-	21	100
TOTAL	24%	18%	24%	8%	26%	100%
Larger firms	18	21	30	4	27	100
Smaller firms	31	15	19	11	25	100

Table I: Changes in Commitment of Company Resources to Federal Government Relations Since January 1981

Company Type and Size	Size of Staff and Use of Outside Private Lobbyists				Total
	Increase in one or both	No change in either	Decrease in one or both	Increase in one decrease in other	
Durable goods manufacturing	45%	27%	24%	5%	100%
Larger firms	42	26	23	10	100
Smaller firms	48	28	23	-	100
Non-durable goods manufacturing	38	14	29	18	100
Larger firms	31	10	38	21	100
Smaller firms	46	19	30	15	100
Gas and Electric Utilities	71	16	3	10	100
Larger firms	69	19	-	12	100
Smaller firms	73	13	7	7	100
Financial services	67	22	6	6	100
Larger firms	61	22	6	11	100
Smaller firms	72	22	6	-	100
Other	54	24	14	7	100
Larger firms	59	26	13	4	100
Smaller firms	50	22	18	11	100
TOTAL	52%	21%	17%	9%	100%
Larger firms	48	20	20	12	100
Smaller firms	55	22	15	6	100